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CHINA REPORT
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NATIONAL POLICY AND ISSUES

PARALLEL NATIONAL REVENUE, GNP GROWTH DISCUSSED

HK020531 Beijing JINGJI YANJIU [ECONOMIC AFFAIRS] in Chinese No 10,
20 Oct 83 pp 26-31

[Article by Zhang Shuguang [1728 2562 0342] of the Economic Research Institute of the Chinese Academy of Social Sciences: "A Discussion of the Simultaneous Growth in the National Revenue, Gross Social Product, and Gross Industrial and Agricultural Output Value"--"revised August 1983"]

[Text] Since the announcement of the strategic targets for the development of the national economy by the year 2000 made at the 12th party congress, the questions of improving economic results and speeding up increases in the national revenue have received more and more extensive attention, while the realization of simultaneous increases in the national revenue, gross social product, and gross industrial and agricultural output value (under China's present statistical system, gross industrial and agricultural output statistics only include the two material sectors of industry and agriculture. National revenue statistics include industry, agriculture, the building industry, communications and transportation, and commerce. Thus, strictly speaking, there can be no comparison between the speed of increase in the national revenue and that in gross industrial and agricultural output value. But, since industry and agriculture make up around 80 percent of all material sectors, these comparisons reflect general trends) has also become an intensively researched question in relevant quarters. Some points of view are given below.

I. The Meaning and Indications of Simultaneous Growth

What is simultaneous growth in the national revenue, gross social product, and gross industrial and agricultural output value? This so-called simultaneous growth does not imply an absolutely equal speed of growth among these various things, rather it implies a general similarity between the speeds of growth of the national revenue, gross social product, and gross industrial and agricultural output value. At the same time, in order to thoroughly investigate this question, there is a need to fix a quantitative limit on this simultaneous growth as an indicator for measuring whether or not there is simultaneous growth. The gap between the rate of growth of the national revenue and of gross social product and gross industrial and agricultural output value, or GNP, has been fixed as plus or minus 10 percent.

This means that as long as the growth/speed ratio between them is between 0.9:1 and 1.1:1, we can say that there is simultaneous growth.

A discussion of simultaneous growth refers to the ratios between the speeds of growth and thus it is necessary to exclude the effects of price changes. Hence, gross social product, gross industrial and agricultural output value, or GNP, and the national revenue are all calculated on the basis of fixed prices. Thus what we are discussing here are not changes in the magnitude of value but rather changes in material magnitude.

II. The Essence and Significance of Simultaneous Growth

The essence of achieving simultaneous growth is to be found in accelerating the speed of increase in the national revenue and improving macroeconomic results. This is something of extreme significance and is of very real significance to China's economic development.

For many years the guiding ideology for China's economic work was severely affected by "leftist" thinking and economic work was not based on, nor did it start out from, the concept of improving economic results; instead it concentrated on quantity and speed. There was no discussion of comprehensive balances, economic accounting, technological advances, or scientific administration and management policies. Under such ideological guidance many management systems and accounting methods encouraged increased use and consumption of resources. Thus the speed of increase in China's gross social product and gross industrial and agricultural output value was by no means slow, but the speed of increase in the national revenue was very obviously slower than increases in gross social product and gross industrial and agricultural output value. From 1953 to 1982 the average annual speed of increase in China's national revenue was 6 percent, while the average annual speeds of increase in gross social product and gross industrial and agricultural output value were 7.9 percent and 8.1 percent respectively. Thus the ratio between the speeds of increase in the national revenue and gross social product was 0.76:1 while the ratio between the speeds of increase in the national revenue and gross industrial and agricultural output value was 0.74:1, both illustrating a gap of around one-fourth.

	Annual average rate of increase of gross social product (%)	Annual average rate of increase of gross industrial & agricultural output value (%)	Comparison of rate of increase of national revenue and gross social product (%)	Comparison of rate of increase of national revenue and gross industrial and agricultural output value
First 5-Year Plan period	11.3	10.9	8.9	0.79
Second 5-Year Plan period 1963-1965	-0.4	0.6	-3.1	--
	15.5	15.7	14.7	0.95
				0.94

	Annual average rate of increase of gross social product (%)	Annual average rate of increase of gross industrial & agricultural output value (%)	Annual average rate of increase of national revenue	Comparison of rate of increase of national revenue and gross social product (%)	Comparison of rate of increase of national revenue and gross indus- trial and agricultural output value
Third 5-Year Plan period	9.3	9.6	8.3	0.89	0.86
Fourth 5-Year Plan period	7.3	7.8	5.6	0.78	0.72
Fifth 5-Year Plan period	8.0	8.0	6.1	0.76	0.76
1976-1978	8.1	8.1	5.6	0.69	0.69
1953-1982	7.9	8.1	6.1	0.76	0.74
1979-1982	7.5	7.5	6.3	0.84	0.84

From the above figures it can be seen that during the period of the Second 5-Year Plan there was negative growth in gross social product and the national revenue, whereas during all the remaining periods, growth in the national revenue was consistently slower than growth in gross social product and gross industrial and agricultural output value. Apart from the 3 years of readjustment during the early 1960's, the ratio between the growth rates of the national revenue and of gross social product and gross industrial and agricultural output value was always below 0.90:1, and in fact this ratio fell steadily from 0.95:1 and 0.94:1 during the years 1963-1965 to 0.76:1 and 0.74:1 during the period of the Fifth 5-Year Plan. Between 1976 and 1978 the ratio was only 0.69:1. Thus it can be seen that over the last 30 years, not only has China not achieved simultaneous growth, but what is more, the gap between the speeds of growth has consistently widened.

Over recent years the central authorities have repeatedly brought up strategic ideologies for improving China's economic development and have constantly stressed the need to improve economic results. However, the situation relating to China's economic results in social production is by no means ideal. The reason for this is closely linked to the persistent lack of effective measures to wipe out the concept of striving for production output and instead to promote economic results in our macroscopic economic guidance. As everyone knows, the drawbacks of working out gross production output targets on the basis of factories also helped create beliefs and methods which tended to try to speed up production output by relying on increased consumption of resources. If this is used as the main index for measuring economic development and enterprise accounting, then a tendency will develop to ignore social demand, not to take consumption into account, and to ignore economic results. We avoided duplicate accounting by deducting consumption of resources from national revenue, which only illustrated the final results of social production in any one period of

time, and it was this that was used as an important index for calculating macroscopic economic results. Simultaneous growth in the national revenue, gross social product, and gross industrial and agricultural output value represents an important link in helping China's macroscopic economic policies to change toward focusing on improving economic results. The achievement of simultaneous growth mainly depends on improvements in labor productivity and economizing on consumption of resources, and is also closely linked to a rationalization of the structure of the national economy.

Naturally, national revenue indexes also have their drawbacks. If the labor productivity rate and social production results do not change, simple increases in the amount of labor will ensure growth in the national revenue. While simultaneous growth as a ratio of speeds can reflect increases in macroscopic economic results, it is not a direct index of economic results, nor may one consider, once simultaneous growth has been achieved, that all the problems relating to the development of the national revenue improving macroscopic economic results have been solved. In actual fact, in other countries where simultaneous growth has been achieved (which will be discussed later) in some instances (such as the Soviet Union and Romania), while the increases in the national revenue have been high, economic development and economic results have not proved to be as good as in other countries such as Hungary and the GDR, where the speed of increase in the national revenue has been slower but stable. An overall appraisal of macroscopic economic results requires an index system involving mutual linkage and mutual restrictions. This is in no way a denial of the important role of simultaneous growth in macroscopic policies, rather it is a pointer toward the correct channels for improving macroscopic economic results and achieving simultaneous growth.

III. The Possibility of Simultaneous Growth

There are many different opinions as to whether or not the national revenue can achieve simultaneous growth with gross social product and gross industrial and agricultural output value, or GNP. In this article we will first of all analyze some real data from the Soviet Union, Eastern Europe and Western advanced countries (apart from newly created value from material production sectors, the national revenue of Western countries also includes the labor revenue from nonmaterial production sectors. Statistical methods differ from those in the Soviet Union, Eastern Europe, and China in that the GNP equals the national revenue plus depreciation and thus changes in it are greatly influenced by depreciation policies. For this reason it is not possible to carry out a direct international comparison, but the developmental trends indicated by the statistics may be used for the purposes of our analysis) and then discuss the question once again on a theoretical basis.

1. The Soviet Union

According to the Soviet Union's own statistics, during the 68 years from 1913 to 1980, the average growth speeds of the Soviet Union's national

revenue and gross social product were extremely close, at around 6.5 percent for the former and 6.4 percent for the latter, making a ratio of 1.016:1. During every period except from 1971 to 1980, when growth in the national revenue was slower than growth in gross national product, the national revenue growth rate was always faster than that of gross social product, and the changes in the ratio between the two have ranged between 0.92:1 and 1.03:1.

According to statistics from the World Bank and the United Nations the average speeds of growth of the Soviet Union's national revenue and GNP were also very close. From 1951 to 1977 the speed of growth of the Soviet Union's national revenue was 7.8 percent while the speed of growth of the country's GNP was 8.1 percent, the ratio between them being 0.96:1.

2. The East European Countries

According to data from the "Statistical Yearbook of the Council of Mutual Economic Assistance," between 1961 and 1980 there was basically simultaneous growth between the national revenues and gross social products of the countries of Eastern Europe. In some cases the growth in the national revenue was sometimes faster than the growth in gross social product, such as was the case, for example, in Poland, Hungary, and Romania between 1971 and 1975. In other cases the growth in gross social product was faster. With the exception of the GDR, where the ratio between the two growth rates was 0.87:1, the ratio between the two growth rates in the other East European countries was between 0.90:1 and 0.98:1.

According to statistics from the United Nations and the World Bank, between 1961 and 1977 the growth rates in the national revenue and GNP of seven East European countries were very close, the ratio between them being between 0.92:1 and 1.04:1.

3. The United States

From 1881 to 1978 there has basically been simultaneous growth between the national revenue and the country's GNP. The annual average speed of increase stood at 3.18 percent for the former and 3.34 percent for the latter, with a ratio between them of 0.95:1. If we take 1950 as a dividing line, then during the 78 years prior to this date the speed of growth of the country's GNP was fairly fast, making the ratio between the national revenue and the GNP 0.84:1, whereas during the 28 years after 1950 it was the national revenue which was growing faster, making the ratio between the two 1.012:1.

During the period from 1951 to 1978, with the exception of Britain, other developed capitalist countries also showed similar developmental trends. This was particularly true during the years from 1961 to 1970, during which period nearly all Western developed countries saw their national revenues grow faster than their GNP's.

From the above analysis it can be seen that it is entirely feasible to achieve simultaneous growth between the national revenue and the GNP.

What, then, is the theoretical basis for simultaneous growth? There are many factors which affect the ratios of the speeds of growth among national revenue, technological development and labor productivity, economizing on consumption of material resources, changes in the economic structure, and changes in the organizational structure of social production. These various factors are all interlinked and mutually affect each other and indeed one could say they are mutually contradictory, with one factor often being influenced and affected in two different ways. The simultaneous growth of the national revenue, gross social product, and the GNP is thus achieved through the mutual interaction of these contradictory factors.

Technological advances and improvements in labor productivity have on the one hand improved the "integrated structure" of investment and increased the consumption of materialized labor and, on the other hand, they have stimulated the basic factors related to increased growth in the national revenue. The transition toward intensional expansion of reproduction of which we talk thus refers to the complete utilization of the accumulative and intensive factors which create economic growth.

Economizing on material consumption is an important factor in increasing the national revenue and increasing the position which gross social product occupies in the national revenue and, as such, has a unique significance. Hence, rational and effective use of material resources, large-scale, comprehensive development and utilization, and further development of the depth of processing and repetitive utilization will all lead to further economizing, substitution, and utilization of waste resources. At the same time, active use of advanced technology, the development of new materials, improvements in the quality of raw materials, drops in the cost of labor and improvements in its durability are all beneficial to achieving simultaneous growth of the national revenue and gross social product.

As far as factors relating to structure are concerned, the most important factor is the proportions between and structure of agriculture and industry, and light and heavy industry. Because, in comparison with agriculture, industry requires more material consumption, its net production value occupies a smaller proportion of gross production value than that of agriculture. Looking at statistics and data from the last 30 years in China, industry has tended to make up from 32.9 to 37.1 percent of gross production value, while agriculture has made up from 69.5 to 79.1 percent, thus industry's net production value has been around one-half of agriculture's. Hence during the process of industrialization, increases in the proportion of gross social production and gross industrial and agricultural production value made up by industrial production value will help gross social product grow more quickly than the national revenue, while agriculture's fast development will have the opposite effect. Since the consumption of light industrial raw materials is greater than the consumption of heavy industrial raw materials, its net production value is less than that of heavy

industry. Judging from figures taken from the last 30 years in China, light industrial net production value has tended to be between 29.3 and 35.9 percent, while heavy industrial net production value has been between 36.4 and 41 percent. Thus increases in the proportion of overall industrial production value that heavy industrial production value represents will make the national revenue grow more quickly than gross social product and gross industrial and agricultural output value, whereas increases in light industry rather than heavy will have the opposite effect. From this it can be seen that in the process of industrialization, reductions in the proportion of agriculture and increases in the proportion of heavy industry do to a certain extent have the effect of cancelling out the ratios between the growth rates of the national economy, gross social products, and gross industrial and agricultural output value.

The second thing to consider is the relationship between the raw materials industry and the processing industry. In general, material consumption in the raw materials industry is very heavy while material consumption in the processing industry is rather light. In some newer industrial sectors such as electronics, which are knowledge-concentrated industries, the emphasis is on the work involved rather than the materials and thus material consumption is fairly light. The speedy increases in the national revenues of Western developed countries during the postwar years, during which period the ratios between the national revenues and the GNP's of the countries was about 1 or more, were mainly due to successful speedy development of such new industries as petrochemicals, electronics, and so on.

Another factor to consider is the relationship between and structure of new regions and old regions. In general a great deal of investment is needed to develop new and backward border regions, while economic results are not good. In other regions economic and technological foundations are much firmer and thus economic results are good. For example, in Shanghai in 1981, every 100 yuan of funds produced 76.7 yuan of taxes and profits, 3 times higher than the national average. In Shanghai 100 million yuan of production output involved the energy consumption of 29,000 tons, while in some border provinces and regions energy consumption reaches more than 200,000 tons. Thus by speeding up development of border and new regions we will speed up increases in gross social product and hence also speed up increases in the sluggish national revenue.

IV. The Reasons for the Lack of Simultaneous Growth in China in the Past

Having explained the possibility of simultaneous growth and having analyzed the situation in China at present, it can be seen that there are many reasons why China has not had simultaneous growth in the past, apart from mistakes in strategic guiding ideologies.

First, the most fundamental reason China has been unable to achieve simultaneous growth has been slow technological development and bad economic results. These problems have manifested themselves in the following ways.

1. The newly increased labor force has not been fully utilized and increases in labor productivity have slackened. Because China's population is growing too fast and because of past imperfections in the labor system and employment policies, a great many of the newly increased labor force either have not found work, and have thus been unable to integrate with the means of production and create wealth for society, or have lacked vocational training or technological knowledge and thus, while they may be employed, they are unable to meet the demands of modernized production. Or the third possibility is that they have been squeezed into existing enterprises or onto land already being tilled; thus we find situations where five people are doing work which supports only three. All these factors affect increases in labor productivity. From 1953 to 1980 the annual average increase in agricultural and industrial workers in China was 2.5 percent and 5.5 percent respectively, while labor productivity, calculated according to net production value showed a 9 percent increase in agriculture (10.3 percent average annual increase) and an increase of 2.3 times in industry (an annual average increase of 4.3 percent). These figures are much lower than the increases in numbers of workers and this thus affected growth in the national revenue.

2. Investment in fixed assets has grown too quickly, and newly increased energy production has not been efficient enough. From 1953 to 1980, the scale of investment in fixed assets experienced an average annual growth rate of over 10 percent, which far exceeded the speed of growth of the national revenue; construction periods constantly lengthened, such that large amounts of funds were tied up in unfinished construction projects, and were thus unable to form production capacity or to provide useful products for society. With regard to some newly added fixed assets, due to the fact that investment targets did not come up to the needs of society, construction was repetitive, construction of full sets of equipment was not achieved, advanced applied technology was not used, and so on, and thus production technology, product quality, and so on of newly built enterprises lagged behind existing enterprises in these aspects.

3. Technical equipment and economic management are backward, consumption of raw materials is high, and much is wasted. The vast majority of China's enterprises are technologically backward and antiquated in their methods, their equipment is worn out, and their standard of economic management is low. On the one hand, the quality of the products manufactured is low, their performance bad, variety poor, and output small; on the other hand, consumption and wastage are high, and investments are consequently increased. This in turn affects increases in China's labor productivity, and reduces the economic results of social production. Taking energy resources consumption as an example, the combustion efficiency of energy-consuming plants in China when compared with that of advanced countries is as follows:

	<u>China</u>	<u>Advanced industrial countries</u>
Thermal power stations	29 percent	35-40 percent
Industrial boilers	50-60 percent	80 percent
Industrial pit boilers	20-30 percent	50-60 percent
Domestic stoves	15-20 percent	50-60 percent
Haulage locomotives	6-8 percent (steam locomotives)	25 percent (diesel or electric locomotives)

Before 1978, there was an upward trend in energy consumption per unit output value and national revenue, which created a wide gap between the national revenue produced by each unit of energy consumption in China and that of advanced countries (it was two to six times higher in advanced countries); this was, moreover, an important factor affecting the ability of the national revenue to achieve simultaneous growth with the gross social product and gross industrial and agricultural output value.

Second, another important reason China was unable to achieve simultaneous growth was disproportions, unbalanced structure, and great vicissitudes in the development of the economy. From 1953 to 1980, there was basically simultaneous growth in the net and gross output value of our industrial sector, the growth rate ratio of the two being 1.005:1. But due to the serious backwardness and slow growth of agriculture, where net output value accounted for a large proportion of the gross output value (its annual average growth rate was only 30.6 percent of that of industry), its proportion within the whole of social production and industrial and agricultural production dropped too quickly, which was an important reason affecting the growth rate of our national revenue. Conversely, during the two periods of readjustment, due to the tendency toward rationalization in the economy, agricultural growth speeded up, and the growth rate of the national revenue was also relatively high, so that the ratio between it and the growth of gross social product and of the gross industrial and agricultural output value became more balanced.

With regard to structural factors, compared to raw materials industries, the growth of processing industries is of more benefit to speeding up the growth of the national revenue. However, due to the fact that in China's processing industries, on the one hand the scale is too big, factories operate under capacity, and the utilization rate of equipment is very low (50 to 60 percent), and on the other hand processing is too shallow, and comprehensive utilization is insufficient, many valuable materials cannot be used, and are wasted. This is another important reason for our inability to achieve simultaneous growth.

V. How To Achieve Simultaneous Growth

Whether or not we are able to achieve simultaneous growth of the national revenue and gross social product and gross industrial and agricultural output value in the next 20 years will depend on the strategic policies we

adopt and the concrete work we do. By analyzing the above reasons why we have not achieved this simultaneous growth, we can find the right policy for achieving it in the future.

1. We must firmly carry out the strategic policy of quadrupling by relying half on scientific and technological progress, effecting a relatively big increase in our labor productivity and the economic results of our social production. If we fail to rely on scientific and technological progress, and to enhance economic results, not only will we be unable to solve the problems of energy, funds, raw materials, and so on, and have great difficulty in achieving quadrupling; but even if we do manage to achieve it, we will do so through increasing investment of resources and consumption of goods and materials, and the growth of the national revenue will continue to be far behind that of gross social product and gross value of industrial and agricultural output value. In this way, though we will achieve quadrupling, there will be no great significance in this; the real rewards reaped by the people will be few, and there will only be a limited strengthening of the national economy. Previous analysis has shown that we have great potential for relying more on scientific and technological progress and increasing economic results. As far as raising the utilization efficiency rate of energy resources is concerned, if we increase this efficiency by 100 percent, then the proportion of energy consumption per unit product will fall by a half, which is an important aspect of slowing down the increase in consumption of goods and materials within gross social product and gross industrial and agricultural output value and increasing the growth rate of the national revenue. Again, by relying on technological progress to promote the development of products, enhance their quality, and quicken the cycle of product renewal, we will be able to use the same amount of social labor and materials and energy to produce more, better social products which will accord more fully with the needs of society.

2. We must perfect macroeconomic policies and guidance over the national economy, further implement the readjustment policy, and establish a highly efficient economic structure with low concentration of energy resources, low consumption of raw materials, and coordinated development of all the various sectors. First, we must ensure the coordinated and stable development of agriculture, light industry, and heavy industry, and avoid big ups and downs; to this end, we must, on the basis of ensuring the relatively speedy growth of agriculture and light industry, give appropriate emphasis to the development of heavy industry; at the same time, we must quicken the pace of growth in the construction industry, transport and communications, and commerce and the service industries. Second, we must strictly control the scale of investment in fixed assets, bringing it into line with the growth of the national revenue; the growth rate of investment must at the most be only a little higher than that of the national revenue. At the same time, we must prevent early consumption, bringing it into line with the improvement of labor productivity; normally, increases in income and consumption must be slower than that in labor productivity. Moreover, we must pay particular attention to quickening the growth rate of new industries, enhancing the depth of processing, and improving comprehensive operation and utilization. In developing the regional economy, we must use the

strategy of gradual promotion, and must first grasp and speed up construction and development of the "middle regions" and medium-sized and small cities. This is beneficial both to increasing economic results in the social economy and to the preparation for the large-scale development of the inland areas. At the same time, we must continuously perfect the organization and structure of social production, improve the organization and increase the level of socialization of our economy, speed up the development of specialization and integration, and, through reorganization and rational use of existing production capacity, create new, higher productive forces.

3. Achieve an overall improvement in the quality of enterprises, and genuinely establish strict, independent, and comprehensive economic accounting, greatly encourage economizing, cut down on consumption, and reduce costs. If we demand only increases in production and fail to stress economizing, we cannot possibly achieve a simultaneous growth of the national revenue, gross social product and gross agricultural and industrial output value. Through transformation and reorganization, we must establish and improve all the various systems of economic management, and raise our economic work to a new level.

In conclusion, in the next 20 years, a change in the ratio between the growth rate of the national revenue and that of gross social product and the gross industrial and agricultural output value has both beneficial and negative factors. As long as we achieve the above things, and ensure that labor productivity and social production constantly improve their economic results, we will be able to speed up the growth of the national revenue, making it develop simultaneously with gross social product and the gross industrial and agricultural output value, so that the ratio between the two will reach or exceed 0.9:1. In other words, in the next 20 years, the growth rate of the national revenue may reach about 6.5 percent, and by the year 2000 the national revenue will reach about 1.280 billion yuan.

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NATIONAL POLICY AND ISSUES

SUN YEFANG'S DISCOURSE ON LAW OF VALUE DISCUSSED

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[Article by Xue Muqiao [5641 2550 2890]; "Comrade Sun Yefang's Discourse on the Law of Value--and a Discussion on the Disagreements Between Comrade Sun and the Author"--written in September 1983]

[Text] Comrade Sun Yefang devoted his entire life to studying economic theory and made outstanding contributions to expounding socialist economic theory. In particular, he maintained that the law of value will continue to play an important role in the socialist economy. His expositions on this thesis are playing an increasingly more important guiding role in our country's socialist economic construction. The economists and economic workers of our country have studied Stalin's "Economic Problems of Socialism in the USSR" since 1953; they have acknowledged that socialist economic construction must be governed by objective economic laws and that the law of value will continue to play an important role in the socialist economy; however, for a long time, their theoretical understanding has not been thorough and objective laws have not been conscientiously complied with in practice, so that we have frequently been penalized by objective laws. Today, it is still highly necessary to restudy the theory put forth by Stalin and further developed by Sun Yefang.

Stalin's "Economic Problems of Socialism in the USSR" summed up 30 years of experience in socialist construction in the USSR under his leadership. All socioeconomic forms in history have been spontaneously governed by objective laws. In socialist countries, from the very beginning, economic activities in society have been guided by the state's economic policies and plans. Therefore, a misconception may arise, that is, people may do what they like without any consideration of objective economic laws. However, in socialist society, objective economic laws still spontaneously play their roles. If the state's economic policies and plans violate objective economic laws, then, after a period of time, disproportion will appear in the national economy, and output may even fall, thus forcing us to carry out readjustment and return to the path pointed out by objective economic laws. If we obstinately stick to our mistakes, we will be penalized by the objective laws. During the 30 years when Stalin was in power, he did not adequately pay attention to objective economic laws; in particular, he did not pay attention to the role of the law of value; therefore, agricultural production stagnated and disproportion between light industry and heavy industry occurred. Only in his later years did he discover this basic principle for guiding the socialist economy. Despite this, time did not permit him to solve the problem himself.

During the First 5-Year Plan period, our country studied Stalin's "Economic Problems of Socialism in the USSR"; moreover, the capitalist economy and, on a more extensive scale, individual small-scale production, still existed. The law of value was still spontaneously playing a role the state had to comply with the law of value in formulating pricing policies. Therefore, although state planning gradually began to play the leading role, our management of the national economy was basically compatible with objective economic laws. After the accomplishment of socialist transformation, and in particular, during the 3 years of the "Great Leap Forward," we overly stressed man's subjective initiative and violated objective economic laws, so that our national economy got into grave difficulties and we were penalized by objective laws. From 1961 to 1965, we carried out economic readjustment and paid greater attention to the law of value, so that our national economy gradually returned to the path of healthy operation. However, during the subsequent decade of the "Great Cultural Revolution," people basically disregarded objective economic laws, compliance with the law of value was denounced as revisionism, and Comrade Sun Yefang, who had persisted in propagating the law of value, was labeled a "counterrevolutionary revisionist" and thrown into prison. However, Comrade Yefang still adhered to the truth and his conviction was not shaken in the slightest degree. Today, although the ideological confusion caused by the counterrevolutionary clique headed by Lin Biao and Jiang Qing basically has been clarified, the harmful effects caused by this ideological confusion, in particular, the harmful effects of negating the law of value and the law of distribution according to work done, have become adamant and cannot be completely eliminated quickly.

Comrade Yefang was well versed in classical Marxist works, particularly "Das Kapital," which he often advised people to read at least three to six times in order to understand its essence. He paid particular attention to studying the basic theories of socialist economy. On the question of the law of value, he brought forth new ideas in certain areas in light of practice in the socialist economy. The overwhelming majority of economists in our country (including myself) always studied the law of value in connection with the production and circulation of commodities, holding that this law governed the production and circulation of commodities and would no longer play a role with the dying out of the commodity economy. Comrade Yefang disagreed with this view. He held that in socialist society, there exist two laws of value, namely, the law of commodity value, and the law of product value. The latter will continue to play a role in communist society after the dying out of the commodity economy. [HK281214] he also said that for a commodity economy, value as in the law of value often does not refer to value proper, but refers to exchange value or other forms of value, in particular, value expressed in money terms, that is, price. At present, instead of using value indicators based on the quantity of socially necessary labor, all socialist countries use only value indicators based on the quantity of money, that is, what is commonly called output value. This is not the substance of value, but is a monetary form of value, or exchange value in money terms. Under this condition, people usually think that the law of value, being a law concerning the quantity of socially necessary labor, states that various commodities' prices must be compatible with their value, if the exchange between various commodities at equal quantities of

socially necessary labor, or exchange at equal value, is to be guaranteed. If price rises above or falls below value, changes in the demand-supply relation will occur. If price rises above value, production will increase and demand will fall until supply exceeds demand, so that price is forced downward. If price falls below value, changes will occur in the opposite direction. What we usually call the regulatory role of the law of value refers to the law of the upward and downward movements of price around value. This law of value will naturally cease to exist with the dying out of the production and exchange of commodities.

Comrade Yefang held that the law of value should not merely refer to the abovementioned law. After the dying out of the commodity economy, and into the communist society, people will still need to calculate the quantities of socially necessary labor expended in producing various products so as to produce the maximum quantity of social product (use value) with the minimum consumption of labor, and to rationally allocate the entire society's labor among various economic sectors. Marx called this "value determination," and Comrade Yefang said this is a "law of product value" different from "the law of commodity value." This is the most important economic law for the communist society. He held that the law of product value will not only exist in communist society, but already has existed in socialist society in the economy under ownership by the whole people. In this economy, all state enterprises must strive to produce the maximum quantities of various products that satisfy social needs, with the minimum consumption of labor. The economic results of production will be greatly enhanced if everyone pays attention to this law of value. Thus, Comrade Yefang has assigned a wider meaning to the law of value. Although many comrades (including myself) still disagree with Comrade Yefang's proposition that the law of value will continue to exist in communist society, and object to including economy of labor consumption after the dying out of the commodity economy in the law of value usually referred to by Marx, however, Comrade Yefang's law about producing the largest quantities of social products with the minimum consumption of labor (including living labor and materialized labor) is of great significance in our current economic practice. At present, many enterprises pay attention to input alone at the expense of output and blindly strive for a high output growth rate. The malpractice of disregarding economic results still exists on a relatively wide scale. It will be highly beneficial to re-study Comrade Yefang's works.

In 1956, Comrade Yefang published the article entitled "Base Planning and Statistical Work on the Law of Value," which was based on the abovementioned idea and which amazed everyone. Later, criticisms came from various quarters. The majority of the comrades who aired criticisms held that Comrade Yefang did not acknowledge socialist economy to be a planned economy but regarded it as a commodity economy similar to capitalist society, in which the law of value still continued to govern all economic activities. Actually, although Comrade Yefang did not stress the role of state planning in his article, he did acknowledge socialist economy to be a planned economy. In other articles, he advocated that the state must exercise rigorous planned management of capital construction and determine the prices of various major products according to their value. The law of value must not be allowed to regulate these things

spontaneously. Therefore, the abovementioned criticism against Comrade Yefang is absolutely wrong. Comrade Yefang argued with me over the question of whether the role of the law of value was restricted in socialist society, but he actually acknowledged that the spontaneous role of the law of value was restricted. He said: "Under the condition that a free market does not exist or is restricted, the law of value becomes insensitive, but it does exist. Therefore, we should pay attention to it, discover it through computation, respect it, and further master it, in order to make it serve us. Otherwise, it will penalize us more cruelly than it penalizes the capitalists." (Footnote 1) ("Certain Theoretical Questions of the Socialist Economy," The People's Publishing House, 1979 edition, p 6) This view did not essentially differ from mine in my 1957 article: "Another Discussion of the Planned Economy and the Law of Value," in which I said: "After the achievement of decisive success in our socialist transformation, the conscious application of the law of value is of even greater significance, precisely because the state can appropriately extend the scope of planned management of the national economy and the spontaneous role of the law of value is severely restricted." (Footnote 2) (Ibid., pp 26-27)

[HK281216] Is it possible and desirable for the spontaneous role of the law of value to be restricted? Comrade Yefang held that since the law of value is an objective law, it cannot be restricted. The mistake of restricting it is identical to the mistake of abolishing or transforming it. Over a certain period of time, on this question, I said that the law of value was restricted, instead of saying that its spontaneous role was restricted, and I also said I "objected to unrestricted application of the law of value," instead of saying that I objected to unrestricted exploitation of its spontaneous role." These expressions may easily lead to misinterpretations. However, in many other instances, I also said: "Only by applying the law of value and appropriately restricting it (here the words spontaneous role should have been used) can the state sector of the economy exercise leadership over the production of these commodities." (Footnote 3) (Ibid., p 12) There was no disagreement between Comrade Yefang and me over the need to apply the law of value in the planned management of the socialist economy.

Here I must mention in passing the historical background of my 1953 article "The Role of the Law of Value in the Chinese Economy." At that time, we were studying Stalin's "Economic Problems of Socialism in the USSR." Many comrades said that in our country, only the state sector of the economy had then begun to be governed by the economic laws of socialism (mainly the law of planned proportionate development), but small-scale commodity production was still governed by the law of value, and the capitalist economy was governed by the law of value and the law of surplus value. I did not agree to those views. I held that at that time, the prices of major agricultural products had been determined by the state, and the state could bring small-scale production of commodities into the track of state planning by regulating output quantities through pricing policies, that is, by applying the law of value. The state could also bring capitalist industry and commerce onto the track of state planning by processing goods, placing orders for goods, and selling goods as an agent. My article stressed that it was already possible to exercise planned management over the principal parts of the entire national economy through state

planning, and therefore, it was possible to implement the First 5-Year Plan. Later, I wrote three other articles to discuss these questions and my key points gradually shifted. In 1957, decisive success had been achieved in the socialist transformation of our national economy, and in my article entitled "Another Discussion of the Planned Economy and the Law of Value," I stressed the need to continue to apply the law of value after the implementation of planned management. In my article "The Production of Commodities and the Law of Value Under Socialism," presented to a 1959 national academic forum, I further stated: "because the law of value is an objective law, it will always spontaneously play a role. (Here, the proposition that the law of value spontaneously plays a role refers to the objective nature of this law. It means that as an objective law, the law of value is independent of man's will. In other parts of the present article, when I talk about restricting the spontaneous role of the law of value, the meaning is different: I mean the need to set planned prices for many major products, so that commodity prices will remain relatively stable, without constantly fluctuating under the influence of the spontaneous role of the law of value.) It will never consciously play a role. As Stalin put it, no matter whether you understand it or not, or like it or not, it will always play its role in the same way...a law itself cannot consciously play a role, but people can consciously apply a law." (Footnote 4) (Ibid., p 64) Then, the disagreement between Comrade Yefang and me further diminished.

Comrade Yefang criticized me on another question. He said I regarded the law of value as an antithesis to state planning. His criticism was based on my statement: "The state's role in production in the peoples communes has markedly increased...the role of the law of value has markedly diminished." The latter sentence contains seriously faulty wording. I should have said that the spontaneous role of the law of value had markedly diminished. To a certain extent, this article was written under the influence of the erroneous view prevailing at that time that the peoples communes should be "large in size and highly collective in nature." Therefore, I have deleted this passage from the book "Theoretical Questions of the Socialist Economy." Comrade Yefang went on to quote another statement of mine: "It may be held that if the decisive role of the state (or state planning) is acknowledged, then the law of value will not play a role; it may also be held that if the law of value continues to play a role, the role of the state (or state planning) must be played down. Both views are based on incomplete understanding." He said that my first and second statements were contradictory. It appears that he agreed with my second statement. At the academic forum of 1959, I did not quite agree with the "polarity" viewpoint, which held that where the law of planning played an important role, the law of value would play an unimportant role, and vice versa. Rather, I agreed that state planning and the law of value simultaneously played their own roles, and that only if the law of value was complied with, could state planning effectively regulate production and circulation (Footnote 5) (Ibid., p 60) This issue shows that Comrade Yefang was right in criticizing me for my lack of scientific treatment and clarity in expressing many questions owing to my unwillingness to be involved in abstract and conceptual contention. In this respect, I should learn from Comrade Yefang.

[HK281218] Because Comrade Yefang advocated basing planning on the law of value, many comrades criticized him for negating the necessity of the planned management of socialist economy. Actually, not only did Comrade Yefang advocate planned management, but in some places, his demand for planned management is stronger than ours. He consistently maintained that we should include in the state's investment plans all expanded reproduction entailing an increase in the value of capital funds embodied in capital assets, while the enterprises' decisionmaking power should be limited to the scope of simple reproduction which is defined by the value of capital funds embodied in capital assets; the enterprises should be empowered to manage their own depreciation funds and carry out equipment renewal and technological transformation. My understanding of simple reproduction as defined by the value of capital funds embodied in capital assets is that the total value of the enterprises' capital assets should remain unchanged, but in using depreciation funds to renew their equipment, the enterprises may carry out technological transformation and should not just "acquire duplicates of obsolete equipment." If the enterprises surpass this limit they must apply to the state for investment funds. They should obtain state approval if they want to use their own funds for expansion. Thus, his requirements are even more stringent than those of our existing system.

His definition of commodity is also stricter. He held that the exchange of products between various state enterprises is actually no longer an exchange of commodities; only an outer commodity covering remains. On this question, my attitude is more flexible than his. In my 1959 article "The Production of Commodities and the Law of Value Under Socialism," I held that the exchange of products between state enterprises "still partially embodies the essence of exchange of commodities." (Footnote 6) (Ibid., pp 61, 192, 193) In my 1965 article "Commodities in the Socialist Society," I further pointed out that although the state enterprises' means of production and products belong to the whole people, "however, because each enterprise is an independent economic accounting unit and its profits or losses must be calculated, therefore, from the enterprise's viewpoint, exchange at equal value, as well as the general principles applicable to the exchange of commodities, must still be practiced, as in the case of exchange between two different owners." "The essence of commodities is still partially embodied." (Footnote 7) (Ibid., pp 61, 192, 193)

Because Comrade Yefang held that within the state sector of the economy, the exchange of products is no longer an exchange of commodities, therefore, though the law of value plays an important role here, it is no longer a law of commodity value, but is a law of product value similar to that applicable to the communist society; it does not govern the regulation of production, but governs economy in labor consumption and the enhancement of economic results. In my article "The Production of Commodities and the Law of Value Under Socialism," I also divided the role of the law of value into two parts; first, the law requires us to carry out exchange of various products at equal value according to socially necessary labor, and encourages us to economize labor consumption; and second, it insures equilibrium in the demanded and supplied quantities of various products through price readjustments, and this is what many comrades call the regulatory role. Within the system of ownership by the whole people, exchange between various state enterprises must not only

comply with the first role of the law of value, but must also involve making use of the second role, that is, the role of regulating the demand and supply of products. (Footnote 8) (Ibid., pp 62, 63) On this question, my view slightly differs from that of Comrade Yefang's.

Comrade Yefang always used abstract methods to study socialist economic theory. This is undoubtedly necessary and correct. However, this made it difficult for him to consider his theory's applications under real conditions. He used his theory to mold a socialist economic system. He took absolute coincidence between the prices and value (or production price) of products as the precondition for this system. Therefore, he did not greatly stress using the law of value to regulate production. Actually, however, such a socialist country never has existed. This is not only because many countries do not pay attention to the law of value, but also because there are millions of prices for different social products. Aside from the majority of minor commodities whose prices can only be spontaneously regulated by the law of value, there are usually scores of thousands of products whose prices must be set by the state. (In our department stores alone there are several thousand categories of commodities with scores of thousands of prices.) The cost of each product (including living labor and materialized labor) is a very complicated matter. Comrade Yefang held that current scientific development is so advanced that we can use computers to directly calculate the quantity of socially necessary labor in each product. Actually, it is very difficult for various specific workers' working capacity or contributions in work to be correctly determined or converted into commensurable quantities. A relatively large enterprise usually employs several hundred to several thousand different types of workers. It is very difficult to convert their work into simple labor. Moreover, for many bulky products, the materials, raw materials, and parts used to produce them must be supplied by scores or hundreds of different enterprises, or even by the state. [HK281220] Therefore, at present, in all capitalist and socialist countries, there are only indicators of output value (either gross output value or net output value), that is, indicators of value in monetary form, without any indicators of the quantity of socially necessary labor. These indicators of value (or price) in monetary form have spontaneously arisen in capitalist countries from the law of value. In socialist countries, in setting planned prices of major products, people cannot rely on the spontaneous functioning of the law of value, but the statistical departments or commodity price departments must compute prices item by item. In calculating the consumption of human labor, we can only assume that our labor force allocation is compatible with the principle of distribution according to work done, and human labor consumption can be substituted by total wages. In calculating the consumption of materialized labor, we can only assume that for the hundreds and thousands of materials, raw materials, machinery, equipment and component parts consumed in production, their prices coincide with their value, and this consumption can be substituted by the total monetary worth of various materials and goods consumed. These assumptions are far from reliable. Therefore, although we recently used a great deal of resources to compute "theoretical prices" with the use of computers, the accuracy of such prices is still far from satisfactory. Because of this reason and various social causes (for example, to prevent contradictions between workers and peasants, though we raise the state purchase prices of agricultural products, we cannot at the

moment raise their selling prices), we cannot turn all theoretical prices into planned prices overnight. Therefore, as in the natural sciences, we must go through a prolonged process of development between the putting forth of theory and putting it into practice.

According to Comrade Yefang, because the products exchanged between various state enterprises are no longer commodities, the law of value mainly plays the role of economizing labor consumption; it seems the equilibrium between the demand and supply of various products can be insured by state planning and by computation, and regulation by using price as an economic lever is unnecessary. Comrade Yefang also knew that prices now seriously deviate from value, so that planned equilibrium is like an equilibrium in a "distorting mirror." Therefore, he advocated readjusting prices so that the state can achieve a correct comprehensive equilibrium. I have not comprehensively read Comrade Yefang's articles. However, his articles give me an impression that if we can make prices coincide with value (production price), the state can achieve a correct comprehensive equilibrium, and then, equilibrium in the demand and supply of various products can be insured. If this impression is correct, then he had taken a much too simplistic view of the question. At present, no socialist country can even formulate a correct plan concerning scores of thousands of different products, which is absolutely compatible with social needs. It is not only because social needs are too complicated for us to accurately compute, but also because social needs are always changing and it is very difficult to make absolutely accurate predictions about them. Therefore, many comrades now not only advocate excluding the vast numbers of minor commodities from state planning and allowing the law of value to spontaneously regulate them, but also advocate dividing the state's plans into directive plans and guidance plans. Guiding plans mainly involve using various economic levers (the most important one being pricing policies, that is, the use of the law of various products, due consideration is given to both state plans and social needs. At present, in studying the law of value, we must never ignore its role in regulating production. In particular, under current conditions, with the prices of many products seriously deviating from value, I think this is an extremely important question concerning the improvement of our planned management methods and our economic management system.

Comrade Yefang had put forth a scheme for insuring the coincidence of state planning with market needs, namely, to go from bottom to top in formulating plans, which should be based on interenterprise contracts concerning orders for goods. This is a method we can consider, but it cannot completely solve real problems. The reasons are as follows. First, for the scores of thousands of different products, each single product involves thousands, or scores of thousands to hundreds of thousands of contracts for orders, and if were to aggregate these contracts for plan formulation, we would probably be unable to formulate any plans after half a year's work or a year's work. Second, contracts concerning orders for various products are not made once a year, but are continually made all the year round; however, plans cannot be continually revised all the year round. Third, for any product, aside from contracts for orders, there are also large numbers of spot transactions. How can these transactions be included in state planning? Therefore, this method cannot possibly be widely used in practice. At present, our planning departments can only formulate plans by mainly using the statistical data of the several

preceding years and supplementing them by forecasts. It is very difficult for the plans thus formulated to insure that plans for producing various products can coincide with social needs. We must give the enterprises a certain amount of decisionmaking power over the amendment of plans (in particular, concerning the variety, specifications and design of products) according to market needs.

[HK281220] At present, in our reform of economic management systems, particularly the reform of planned management systems, there is a problem which is very difficult to solve, namely, how to lead the enterprises to consciously comply with state plans and how to guide them in their revision of plans according to very complicated and ever-changing social needs, that is, how to make state planning coincide with social needs. At present, a tentative method envisioned by us is that in light of the varying degrees of various products' importance to the national economy and the people's livelihood, we can formulate directive plans for some products (which the enterprises must strictly implement) and guidance plans for some other products (which the enterprises are empowered to revise, in the light of necessity and market needs), while the vast number of minor products, which are of little importance to the national economy and the people's livelihood, may be excluded from state planning, with the law of value spontaneously regulating their production. Guidance plans mainly involve using various economic levers (the most important one being pricing policies, or the use of the law of value) to lead the enterprises to follow the orientation pointed out by state planning. Directive plans also must embody respect for, and a satisfactory use of, the law of value, if the fulfillment of state plans is to be guaranteed. State planning must embody a correct grasp of the law of planned and proportional relations and must also embody a satisfactory use of the law of value, with a correct integration of these two laws. Over the past several years, we have been discussing the relationship between regulation by planning and regulation by market mechanism. (Here, we refer to regulation by market mechanism in the broad sense; that is, it includes using economic levers to insure the fulfillment of state plans.) Theoretically speaking, is this a question of how to ingeniously integrate the law of planned proportionate development with the law of value?

Since the putting forth of "relying mainly on the planned economy, with regulation by market mechanism as a subsidiary measure" by the CPC Central Committee, some comrades seem to have set planning against market mechanism, and state planning against the law of value. Therefore, the tendency of disregarding the importance of the law of value may arise again. Therefore, I think it is very important to rediscuss the question which Comrade Yefang showed the greatest concern about, namely, the role of the law of value in the planned economy. It is a pity that Comrade Yefang could not live a decade longer. I think if he had, he would make new theoretical contributions to this question.

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NATIONAL POLICY AND ISSUES

CONGRESSES OF DEMOCRATIC CONSTRUCTION, INDUSTRY CLOSE

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[Text] Beijing, November 19 (XINHUA)--The Fourth National Congress of the China Democratic National Construction Association and the Fifth National Congress of the All-China Federation of Industry and Commerce closed here today. A resolution approved at the joint closing ceremony said the main task of the two organizations in the next 5 years will be to help China's industrial and commercial circles make greater contributions to the country's reunification and modernization.

The resolution said the organizations will use their management and administrative experience and technical knowledge to help consolidate enterprises, develop the collective economy, support economic development in minority areas, and strengthen contacts with industrial and commercial figures in Taiwan, Hong Kong and overseas. This will aid the government's efforts to enlarge both its exports and imports of modern technology.

The resolution urged the associations' members to enthusiastically take part in consultations on state and local affairs, help the government implement policies and help the Communist Party to fulfill the party consolidation.

The congresses began on November 8. During the 12-day meetings, delegates summed up the work of the past four years, revised constitutions and elected new leadership.

Hu Juewen, chairman of the China Democratic National Construction Association, presided over the closing ceremony.

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NATIONAL POLICY AND ISSUES

JINGJI YANJIU ON BUILDING ECONOMIC SYSTEM

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[Article by Zhou Taihe [0719 1132 0735], Zhan Wu [6124 2976], and Fu Fengxiang [0265 6265 4382] of the State Economic System Restructuring Commission: "Build an Economic System With Chinese Features"]

[Text] Marx and Engels put forth certain imaginative principles for the question of how to organize and manage the socialist economic system that is based on public ownership of the means of production. In order to combine these policies with the specific conditions of China and build an economic system that is in line with the national condition of the country, since the founding of the PRC we have carried out a study on this. We have also experienced a tortuous path in our work and accumulated a reservoir of experiences at a high price. The positive and negative experiences accumulated over the past 3 decades and more can be summarized into one basic point, that is, we cannot but proceed from the reality of the country and build a socialist economic system with Chinese features. An economic system with Chinese features means that we must correctly handle various economic relations, mobilize the initiative of central government departments, localities, collectives, and laborers, and organize and manage an economy scientifically and according to economic law so that the national economy will grow healthily. Under the guidance of the CPC and state policies, it is imperative to rapidly promote the development of production, increase social wealth, improve economic results, and meet the needs of society and people. Specifically, it is imperative to handle well the relations in five areas. They are the relations between various economic forms; the relations between planned economy and regulation by market mechanism; the relations between central government and localities and departments and regions at various levels; the relations between the state and enterprises; and the relations between the state, collective and laborers.

1. Uphold Monolithic Economic Forms With the State Economy in the Leading Position

To correctly handle the relations of various economic forms and build an ownership structure that is in line with the national condition of China represent a foundation for the building of a scientific and rational economic system. Since the basic completion of the socialist transformation of the means of production with private ownership and under the influence of the "leftist"

wrong ideology, a tendency has appeared in which efforts have been made to lopsidedly develop the economy of the ownership by the people, but at the same time, the collective economy has been discriminated against and weakened while the individual economy has been squeezed and eliminated. During the "great leap forward" years and the "Great Cultural Revolution" in particular, the national economy suffered seriously because of the advocacy of seeking things "big" in size and "collective" in nature, because of the implementation of the principle of the so-called "poor transition," and because of the measure to cut off the "remnants of capitalism." It was not until the 3d Plenary Session of the 11th CPC Central Committee that the wrong management of lopsidedly considering the extent of public ownership the higher the better and the scale of enterprises the bigger the better was at last correct. Consequently, the old stereotype, that the economy of various ownerships can only introduce a management form, was broken away from. This old method was eventually replaced by various forms of ownership and coexistence of various management forms under the condition that public ownership is in a predominating position to activate economy, develop production, expand employment, and benefit people.

Historical experiences proved once and again that for a socialist country such as ours it will not do to have just one kind of economy, that is, the economy with public ownership, or even to have just the economy with ownership by the people. [HK290901] This is because the productivity of China is low, and there is unbalanced development while various levels have their own productivity. These situations have demanded various forms of ownership and various forms of management. This is the first reason. Second, China is a big country and has a huge population that causes big pressure on employment. In addition, needs in production, construction, and people's life are varied and beyond the ability of the state to monopolize. This means that it is imperative to develop simultaneously a collective economy and an individual economy so as to provide society with rich varieties of products and various labor services to expand employment. Third, China is still poor and therefore can only concentrate funds to guarantee key construction projects while a great many undertakings that are needed by society and people can only be carried out by mobilizing the collective and using funds raised by individuals. Therefore, we cannot but introduce the ownership structure that is characterized by long periods of coexistence of various economic forms of the various economic bodies with the state economy in leading position, with the collective economy as the main part, and with individual economy as the supplement. These various economic forms are able to display their own advantages within certain spheres; but they cannot replace each other or hold the same position while the order of importance of these economic forms must in no way be reversed.

The state economy is a socialist economy with ownership by the people and represents a major form of socialist public ownership in China. State economy is closely related to the national economy and people and represents a guarantee for the economy with the collective ownership by the broad masses of laboring people to follow the socialist road, a guarantee for individual economy to serve socialism, and a material guarantee for the national economy to develop in line with all interests and long-term interests of the laboring

people. Before we are able to display the leading role of the state economy, we must first display the advantages of the enterprises with ownership by the people that have more advanced equipment, stronger technical force, and a higher management level so as to make further developments with better results and more accumulation. Another major leading role of the state economy is to support the collective and individual economy and lead these two economic forms to develop along the direction that is in the interest of the national economy and people. The state economy must also give guidance in professional technology and render support in such areas as the source of goods, raw materials, sites, transportation, loans, and insurance. On the basis of mutual interest, it must also develop various economic entity forms between the collective and individual economies and support the production, supply and sales of the enterprises with these two forms of ownership so as to guide them onto the road of the state planned economy.

Collective ownership by the broad masses of workers is an important form of socialist public ownership and is the main economy in rural areas. The collective in towns has the same feature as the collective economy in rural areas in that both have strong adaptability to the productivity level of the country. This economy requires less investment and simple equipment and yet it is in a position to produce a variety of products with a number of specifications. It is in a position to supply various products and labor services according to requirements and absorb a great number of laborers; this economy has independent accounting with responsibility for its own profits and losses. Operating results of the enterprises with a collective economy are closely linked to the interests of laborers; this situation is in the interest of mobilizing the initiative of laborers, improving management, and doing a good job in production and service.

[HK290902] The enterprises with collective enterprises have considerable decisionmaking powers and flexibility to change business management items, the scale of production and method according to market and social demand, and a good tradition of being diligent in carrying out production. All these are beyond the reach of the state economy to replace. Therefore, when measures are taken to display the leading roles of the state economy, it is also imperative to develop the collective economy so as to develop the economy in both rural and urban areas, bring convenience to the life of the people, and expand labor employment. This move represents a long-term principle for developing the economy in China. The collective economy in cities and towns must be developed in a big way before we are able to develop production, improve people's standard of living, and expand employment. We must have a correct understanding of the collective economy, raise the political and social status of the workers of the collective enterprises, rapidly change the policies and measures that are discriminating against and limiting such enterprises, and quickly resolve policy problems and actual problems that will crop up in the development of these enterprises.

The economy of individual laborers in urban and rural areas is supplement to the socialist economy with public ownership. The individual economy in towns is represented not only by such aspects as manual labor, that is, using simple tools and traditional technology to provide various products and labor service

to the people, it is also characterized by flexible management, small products, strong adaptability, and serving the broad masses of customers at their doorstep. Specialized households, key households, and family sideline production in rural areas are in a position to fully utilize family auxiliary labor and surplus labor so as to rationally use the scattered resources that cannot be utilized by collective economy and manage the undertakings that are beyond the reach of the collective economy and that are characterized by fewer investments, quicker results and higher commodity rates.

All these cannot be replaced by the economy with public ownership. Under the socialist system, individual economy is subordinate to the economy with public ownership. And following the development of individual economy into specialization and socialization, it will eventually become closer and closer to the public ownership economy and finally will supplement the socialist economy. It is groundless, as in the past, to worry that the development of individual economy will give rise to the "restoration of capitalism." We must raise our understanding of the positive role in developing individual economy, raise the social status of the individual laborers, and properly develop individual economy. In towns, it is necessary to develop individual handicrafts and repairing, catering, and service undertakings, while in rural areas it is imperative to encourage and support commune members to undertake service, handicrafts, breeding, and transportation undertakings individually or in groups so as to develop diversified economic management in a big way. But individual economy is also characterized by blindness; therefore, while it is necessary to protect the legal rights and interests of the individual economy and family undertakings, it is also necessary to introduce strict management and strengthen supervision so as to check illegal activities.

2. Correctly Implement the Principle of Taking Planned Economy as the Main and Regulation by Market Mechanism as the Supplement

It is a basic principle for the socialist economy in China to introduce planned economy on the basis of public ownership, and it is a basic question in restructuring the economic system to handle well the relations between planned economy and regulation by market mechanism. [HK290903] During the First 5-Year Plan, we used the form of combining direct planning with indirect planning and introduced regulation by market mechanism within certain spheres, and consequently we were able to handle quite well the relations between planned economy and regulation by market mechanism. But following the completion of the socialist transformation of the means of production with private ownership, the spheres of planned management became wider and wider and the forms of planned management tended to become monolithic. Regulation by market mechanism was then abolished to cause planning to depart from reality, production, and supply, and the economy was under rigid control. Following the 3d Plenary Session of the 11th CPC Central Committee, planned management became flexible and regulation by market mechanism began to display its roles, and consequently certain achievements have been made in this aspect.

Practice proved that under the situation in which state economy is displaying its leading role and various economic forms coexist, the development of productivity at the present stage is far from being balanced, and social demand

is extremely complicated, it is imperative and possible to implement planned management over the main part of economic activities and the main body of the economy and carry out regulation by market mechanism in the secondary and subordinate parts.

Experience tells us that before we are able to carry out planned economy as the main and regulation by market mechanism as the supplement, we must first guarantee state planned leadership and planned control over the macroscopic economy. The keys to state planning must include correct decisions for strategic goal, strategic key points, scale, speed, regional distribution, and major proportionate relation of the development of economy during a certain period; exercise effective and strict control over the orientation and scale of the investments in fixed assets, major construction projects, total investment amount, wage level, and price level; and implement comprehensive balance in such aspects as finance, loans, goods and materials, foreign exchange, market, and labor force. All these in fact represent a basic guarantee for a proportionate development of the whole national economy. Under this situation, regulation by market mechanism may be carried out within certain spheres.

In order to be able to correctly implement the principle of taking planned economy as the main and regulation by market mechanism as the supplement, it is imperative to resort to various forms, define the spheres of mandatory planning, guidance planning, and regulation by market mechanism and integrate them organically. Mandatory planning is an important part of planned management in China. We have suffered serious setbacks on a number of occasions in economic construction since the founding of the PRC, and these failures are related to the fact that we blindly expanded the scale of capital construction. Therefore, mandatory planning must first be able to strictly control the total amount and scale of the investments in fixed assets and the capital construction projects. At the same time, mandatory planning is also required for the major products and important tasks that are related to the national economy and people and the backbone enterprises that are related to the economy as a whole so as to guarantee that state planning will be met in an overall way and in due time. It is only when we are able to implement mandatory planning toward major products and enterprises that the state will be in a position to control directly a portion of financial power and material power to stabilize the whole national economy, enable guidance planning to display effectively its role of turning regulation by market mechanism into a beneficial supplement to planned production and construction. But the spheres of mandatory planning must not be too wide, otherwise it will be difficult to guarantee that state planning is scientific while the initiative of enterprises will hinder the development of the production and exchange of commodities and cause production to depart from demand and the economy to develop unevenly. [HK290904] Before mandatory planning is implemented, we must first consider its necessity and feasibility, including the possibility of making the level of management work in line with supply, production and sales. The state must at the same time be responsible for the supply of major goods and materials and the sales of major products so as to guarantee that mandatory planning will be implemented effectively.

Guidance planning is an important form of planned management and is similar to the indirect planning implemented in China during the First 5-Year Plan. Guidance planning can be introduced in many areas such as in the many products that are complicated in specifications, used widely, and require frequent changes, as well as in the production and circulation of relatively important products. Guidance planning is different from mandatory planning, which is compulsory, and is also different from regulation by market mechanism. It is in a position to avoid blindly developing economy so as to guarantee the flexibility of the planning, avoid excessively wide spheres of mandatory planning that will result in rigid control of the economy, and avoid excessively wide spheres of regulation by market mechanism and the emergence of chaotic economic situations.

The state may not assign planned quotas for the production and circulation of a large number of small commodities; the production units must be allowed to arrange flexibly the production of these products on their own accord according to changes in market demand and supply. Although the implementation of regulation by market mechanism is only related to a small part of the production and circulation of industry and agriculture, such regulation represents an indispensable supplement for the planned production and circulation. To allow for a certain amount of regulation by market mechanism is in the interest of encouraging enterprises to take active measures to improve their production and management, and to understand and adapt themselves to market demand so as to meet the various needs of social production and people. With this regulation, it is no longer necessary for state planning to include everything and the state will consequently be able to avoid mistakes and losses that will crop up when state planning includes everything. Therefore, it is imperative to clearly define the spheres for regulation by market mechanism and it is also necessary for the state to retain the necessary amount of goods and materials for regulation by market mechanism when the state is balancing important goods and materials. In this regard, it is also necessary to define the related policy and law, while industrial and commercial administrative work must strengthen its management.

In China, mandatory planning, guidance planning, and regulation by market mechanism are necessary. Their spheres can be defined according to the importance of products and the nature and scale of enterprises, or according to the importance of the tasks assigned, and these various aspects must be integrated according to specific situations. In their economic activities, enterprises usually implement in various forms mandatory planning, guidance planning, and regulation by market mechanism. There are three main categories in this area. First, big state-owned enterprises are implementing mandatory planning as the main. They also implement guidance planning for the production and sales of a small quantity of products and are also in a position to sell themselves a small quantity of products as regulation by market mechanism so that they will be concerned with market demand, and will improve technology and the quality of their products. Second, medium and small state-owned enterprises and collective enterprises are implementing guidance planning as the main and are implementing mandatory planning toward the production and sales of little amounts of products. Third, the enormous collective enterprises and

individual undertakings that are scattered in urban and rural areas are implementing regulation by market mechanism as the main. But the state may carry out policy guidance and administrative interference and there is also a possibility that the state will assign mandatory planning to these undertakings with small quotas. To divide enterprises into these three categories is in the interest of rationally using various forms to rationally control all economic activities so that such activities will be carried out in an orderly manner.

In order to be able to implement correctly the principle of carrying out planned economy as the main and regulation by market mechanism as the supplement, we must also resort to various measures such as in economy, law, and administration, and in particular we must fully display the roles of various economic levers. Whether we are carrying out mandatory planning or guidance planning, it is necessary to consciously resort to the law of value, coupled with various economic levers. Prices may be readjusted up and down under the premise that they are basically stable. It is necessary to grasp price comparison and price parity, distribute profits rationally by making use of auxiliary prices, and readjust the volume of the production and sales of certain products; with regard to tax, it is necessary to introduce certain new tax forms and readjust tax rates properly when such a move is needed. Enterprises with good prospects must also be supported through credits according to their specific conditions, with different interest rates and floating interest rates.

To stress the importance of managing the economy through an economic method in no way means that an administrative method is no longer needed. On the contrary, these two aspects must be combined organically. Mandatory planning must be strict and must be coupled with measures to form and perfect economic law and social economic supervision system while industrial and commercial administrative work must be strengthened. And when it is required, the state may issue an administrative order to directly and forcibly interfere with certain economic activities.

3. Correctly Handle the Relations Between Central Government and Localities, Departments and Regions

To correctly handle the relations between central government and localities, departments, and regions and to organize economic activities according to internal economic relations represents one of the most complicated, difficult, and repetitious work in restructuring the economic system in China. Therefore, according to the experiences and lessons in the past 3 decades and more, it is imperative that we pay attention to the following:

First, properly define the responsibility and powers of the central government and localities. Over the past 30 years and more, the relations between central government and localities are characterized by either excessive centralization or excessive decentralization. Therefore, it is necessary to sum up this experience and study the principle and proper proportion in dividing powers between the central government and localities.

In handling the relations between central government and localities, it is imperative to follow centralized leadership and persist in the principle of "taking the whole country into account." The powers for deciding economic policies that are related to the whole national economy and the people must be centralized in the hands of the central government. Such important matters as the strategy for national economic development, the national policy for the development of economy, science and technology, national economic legal system, and principles and policies must be coordinated and defined by the central government, which is also in a position to make unified arrangements and comprehensive balance with regard to state budget for revenue and expenditures, credit revenue and expenditures, issuing currency, international revenue and expenditures, the orientation for investments in fixed assets, the amount of investments and large and medium-size construction projects, the distribution of major means of production and consumer products, the price of major products, and the growth of total wages. [HK291006] In order to build a powerful socialist country, it is necessary for the whole country to concentrate strength in support of key construction. The part must be subordinate to the whole and localities must be subordinate to the central government; the situation in which each does things in his own way should no longer be permitted. In addition, ours is a big country with a population of 1 billion people, and the economy in various places is developing unevenly. Therefore, it is impossible for the central government to centralize and manage all economic activities, and consequently it is imperative to implement the principle of "centralizing major powers and decentralizing minor powers." Various places must be entrusted with certain powers according to their specific conditions under the unified planning of the central government. Localities must work out overall planning for local production and construction facilities, people, and science and service and make overall balancing and arrangement for local financial power and material power.

The distribution of financial and material power between the central government and localities must also be carried out under the principle of "centralizing the big and decentralizing the small." That is, most financial revenues, foreign exchange income, and important goods and materials must be centralized in the hands of the central government and a small part may be at the disposal of localities. According to historical experience, state financial power should make up more than 60 percent of state financial revenue, with the proportion of direct expenditures making up about 50 percent. For the central government, to be able to keep the necessary reserve of financial power is in the interest of guaranteeing state key construction projects and supporting backward regions.

Second, integrate departments with regions to develop their advantages and get rid of their disadvantages. Practice over the past 3 decades and more has shown us that we must take the attitude of one dividing into two toward management over departments and regions. We cannot simply deny such management; on the contrary, we must develop its advantages and avoid its disadvantages so as to do a better job of combining departments with regions. That is, we must, under professional guidance, organize economic activities on the basis of central cities and through the expansion of the powers of enterprises in production, supply, and sales, develop economic contracts among enterprises, and

according to different administrative levels. All forms of economic organization must step up professional guidance. The professional management departments must put the overall interest in the first place, break away from separation between departments and regions, and do a good job in such areas as developing planning, economic planning, technical planning, technical standard, popularizing new technology, developing new products, and organizing the reorganization and merging of enterprises of different provinces and cities. Under the unified organizational work of the State Planning Commission, the various professional management departments concerned must organize the related departments and regions to take part in investigation, define the rule of various trades, and put forth the plans for reforming, reorganizing, and merging enterprises and technical reform. It is also imperative to provide provinces, regions, and central cities with an economic foundation in working out comprehensive planning and in organizing the restructuring and merging of enterprises.

Third, fully display the roles of cities, particularly big cities, in organizing the economy. Industries in China are concentrated in cities; therefore, displaying well the roles of cities will make it easier for us to readjust the contradictions between departments and regions. [HK291100] Directed against the present situation in which the existing management system is based on different departments and regions and urban areas are separated from rural areas, it is imperative at the present stage to expand the powers of big cities so that they will be able to display their roles in such areas as industrial production, science and technology, domestic and foreign trade, circulation of goods and materials, financial information, staff training, organizing urban construction, and various service trades.

Central cities represent the results of the development of the production and exchange of commodities. The roles of such cities are not limited to the city itself. What is more important, these cities have established economic contacts with neighboring regions so as to gradually combine departments with regions and urban areas with rural areas, and comprehensively develop various trades such as agriculture, industry, commerce, transportation, science and technology, and service to form themselves into various types of economic zones of various sizes and with their own features.

We must gradually set up such cities with various forms according to the needs of economic development and under the principle of specialization and merging so as to gradually change the enterprise organizational structure that is characterized by what is "big and all-embracing" and "small and all-embracing" and change the situation in which regions and departments are divorced from each other. The professional sectors of the enterprises of a trade in a city, such as heat treatment, forging and casting, electroplating, and mechanical maintenance can be properly concentrated on the basis of specific conditions so as to form a technical center for specialized production. Some enterprises and products of different departments can be organized by the cities where they are located on the basis of the parts they are producing in the form of coordination with the division of work so as to carry out socialized mass production. The enterprises which have assembly production and are making comprehensive utilization of raw materials must be organized by

the cities where they are located, irrespective of different departments, so as to form united companies or loose economic entities. It is also necessary, on the basis of restructuring and merging within the cities themselves, to organize a number of transregional economic activities. Historical experience has shown that it is necessary to let backbone enterprises, which are producing famous brand products, to take the lead in expanding their business to other cities so as to form a network of division of work and coordination with big cities as the centers.

Fourth, carry out rational division of work between administration and enterprises and restructure the administrative management system. It is imperative to rationally readjust the subordinate relations of enterprises when measures are being taken to restructure and merge enterprises. The provinces with advanced industry and better urban conditions must gradually decrease their involvement in the management of enterprises and even not directly manage enterprises so as to gradually put enterprises under the unified management of cities.

Under present conditions, the various financial departments under the central government can be divided basically into three categories. The first category includes those departments which do not directly manage enterprises; the second category includes those departments which basically do not directly manage enterprises and only manage a few backbone enterprises; and the third category includes those departments which directly manage enterprises. In the future, most of the departments under the central government must not directly manage enterprises, but must concentrate their efforts in doing a good job in professional planning and in studying and suggesting guiding principles and policies.

According to the experience of Liaoning Province, it is feasible, in order to enable the administrative management system to accord with the needs of the restructuring of the economic mechanism, for the areas with a relatively advanced economy and better urban conditions to experiment in merging cities, with cities guiding the counties around them. [HK291102] The number of counties under the jurisdiction of a city depends on the economic strength of the city in supporting rural areas. It is also imperative to popularize the experience of Qingyuan County in Guangdong Province according to specific conditions. And this experience is that the economic activities of the enterprises across the county are under the unified leadership and management of the county economic commission.

As a result of the abovementioned various restructuring measures, there will emerge consequently a situation in which administrative regions are inconsistent with economic regions. Therefore, it is imperative to carry out rationally division of work between administrative management and economic management and restructure the financial system so that all provinces, cities and autonomous regions will have the necessary financial revenues without having to directly manage industrial enterprises. And the way out is to change the system of state-owned enterprises handing profits over to higher departments to the system of substituting taxes for delivery of profits, rationally divide tax revenues between the central government and localities, and decrease the

administrative interference toward enterprises by departments and localities, which is unnecessary, forcibly exercised and in the interest of the departments and localities. Experience in the experiment of substituting taxes for delivery of profits carried out by more than 400 enterprises over the past 3 years proved that the introduction of the system of substituting taxes for delivery of profits represents a correct way for solving the distribution between the state and enterprises and an orientation for restructuring that must be implemented.

4. Correctly Handle the Relations Between the State and Enterprises

Socialist enterprises are relatively independent economic entities under the unified policy and unified planned guidance of the state which have combined responsibility with powers and interest. Over an extensive period, such independence of enterprises has been neglected or denied. Enterprises are under the rigid control of the state. They do not have enough decisionmaking powers in their production and management, while their business results are divorced from their economic interests. Since the 3d Plenary Session of the 11th CPC Central Committee, the decisionmaking powers of industrial enterprises have been expanded and enterprises are in a position to make profit retention. Now this situation has been further developed following the introduction of economic responsibility, the commercial management responsibility system, and integration between responsibility, powers, and interest. All these developments represent a new way for correctly handling the relations between the state and enterprises.

Responsibility is in the guiding position in the relations of responsibility, powers, and interest between the state and enterprises. Before we are able to define the relations between the state and enterprises, it is necessary first to define the responsibilities of each side. The enterprises must be responsible for fulfilling the various planned tasks and technical and economic goals assigned by the state, and must use rationally the various funds and provide the state with maximum net income and salable products. They must put this responsibility in the first place and coordinate their responsibility to the state and to consumers. The management departments at various levels must help enterprises to create external conditions which are needed for the fulfillment of state planning, and they must be responsible for the losses suffered by enterprises because of wrong decisions. At present, some enterprises are eager to ask for powers and interest from the state, while on the other hand they are not actively bearing economic responsibility toward the state. Some management departments only concentrate their attention on passing down planning to enterprises and pressing them to fulfill tasks, while they do not carry out their responsibility toward the enterprises. These two tendencies must be stopped.

[HK291104] To enable enterprises to bear even better economic responsibility for the state, it is necessary to entrust them with certain powers in production and management. Practice over the past 4 years in expanding enterprise autonomy shows that enterprises must be given certain powers in production, supply and sales, and personnel, finances and goods according to their specific conditions. At present, state-owned enterprises in general have the right

in such areas as production planning, selling a certain proportion of products, drawing profit retention, selectively buying goods and materials, utilization of funds, distributing bonuses, and the appointment and dismissal of midlevel cadres. In the future, following overall development in the restructuring of the economic system, the decisionmaking powers of enterprises must be further expanded. But the expansion must be in the interest of improving social economic results and promoting national economic development and must be carried out gradually according to specific conditions.

In order to give enterprises an internal motive force and external pressure in carrying out their economic responsibility and to guarantee their necessary economic force, we must correctly handle the economic relations between the state and enterprises. The economic interest between the state and enterprises must be divided rationally and combined properly. It is first necessary to guarantee that the state has certain financial powers for key construction projects and various indispensable expenditures. Therefore, the state must get the "bigger share" and enterprises the "smaller share" from the new profits of enterprises and the growth of profit retention must in no way exceed the growth of production and profits. Of course, the "bigger share" for the state in no way means the bigger and better because if this share is too big, the initiative of enterprises will be affected and consequently the state will not be able to get the "bigger share." Although there is a contradiction between the "big" and the "small," these two aspects can be unified. That is, they are unanimous in tapping the internal potential of enterprises, increasing output and income, and improving economic results. The distribution of the economic interest of various enterprises must be carried out in such a way as to overcome equalitarianism, and it is necessary to follow the principle of awarding the diligent and punishing the lazy. The amount of profit retention may be increased and decreased according to the fulfillment by enterprises of various economic norms. The additional profits that are made by enterprises on the basis of changes in external conditions, such as the change of prices and tax, must in principle be handed over to the state; on the contrary, if the enterprises suffer economic losses because of such changes, they will be given a rational subsidy by the state; however, part of the losses must be covered by the enterprises themselves by improving business management and tapping their internal potential. The situation must be changed in which enterprises just want to get benefit from restructuring irrespective of the results of their business and demand that the state be held responsible for losses. It is only in this way that economic interest is in a position to encourage the advanced and spur on the backward.

The form of the distribution of profit must be in the interest of closely combining the economic interest between the state and enterprises. The existing experience shows that it is possible for the state at present to levy a tax on large and medium-size state-owned enterprises while after-tax profits can be rationally distributed through various forms according to the specific conditions of each enterprise. And in the future it is necessary to gradually begin levying a progressive income tax. The state can also gradually introduce the system of levying taxes, making payments for capital, and assuming responsibility for profits and losses among collective small enterprises so as to mobilize the initiative of enterprises in increasing output and income and guarantee a stable growth of state financial revenues and expenditures.

[HK291106] 5. Correctly Handle the Relations Between the State, Collective and Laborers

The laboring people in China are diligent and intelligent. In the past, not only the state exercised too rigid control over economic units, but the units themselves also exercised such control internally. As a result, the laboring people were in a passive position, their income was disconnected from the results of their labor, and so there was no way to fully display the initiative and creativity of the laborers. Since the 3d Plenary Session of the 11th CPC Central Committee, the economic responsibility system has been introduced one after another in agriculture, industry, and commerce to combine labor payment with the results of the production and management. The introduction of this system represents a major readjustment of the relations of production as well as a restructuring of the internal management system, business method, and business ideology of economic units. In particular, the introduction of the production responsibility system in agriculture has provided successful experience for correctly handling the relations between the state, collective, and laborers. This responsibility system has resolved from the point of mechanism, the long existing defects in agricultural production such as forcible order, blind directives, egalitarianism in distribution, and "everybody eating from the same big pot." It has thus correctly defined the responsibility, powers, and interest between the state, collective, and peasants and at the same time closely combined these three aspects. In the beginning, such aspects as peasants' production tasks for the state and collective, the tasks for state purchases of agricultural products, and the tasks for collective retention and the guarantee by state commercial departments to provide the means of production to commune members were defined through a production contract and the contract between agriculture and commerce so as to guarantee the fulfillment of state planning. The introduction of the responsibility system has been followed by the decisionmaking powers that have been entrusted to production teams, while all peasant households that have signed contracts also have the right, under the guidance of state planning, to determine the kind of crops they are going to grow according to their specific conditions, to handle the products after they have met selling tasks, to determine the investments in agricultural production, and to refuse blind directives. It is also necessary to closely combine the economic interest between the state and collective and individuals of commune members. If we say that the contracted part is mainly representing the interest of the state and collective, then the overquota part is mainly representing the individual interest of commune members. Commune members will be able to get interest from overfulfillment of production quotas provided they have first fulfilled the contracted production quotas; that is, "after handing over to the state and making retention for the collective, the rest belongs to them." In this way, individual interest of commune members is totally mixed with the interest of the state and collective to mobilize peasants' initiative in a big way in production and promote the development of agricultural production and diversified management.

Enlightened and encouraged by the achievements of the agricultural production responsibility system, industrial and commercial enterprises have also begun to introduce the economic responsibility system. Some enterprises have based themselves on the understanding of the responsibility, powers and interest

between the state and themselves and dispersed their economic responsibility toward the state that includes various plans for product quantity, quality, varieties, cost, and profits to various lower levels such as sections, workshops, teams, and individuals with definite responsibility to form an overall positional responsibility system as a guarantee for the fulfillment of state planning. The introduction of the economic responsibility system has integrated the expansion of enterprise autonomy with the democratic rights of the broad masses of workers who are the masters of the country, restored and perfected the workers congress and other democratic management systems, and expanded socialist democracy into various aspects of enterprise production to spur the sense of responsibility of the workers. [HK291108] The economic responsibility system has also closely integrated the income of laborers with the results of their labor and the results of the management of enterprises and is also in a better position to implement the principle of distribution according to work. A few enterprises have promoted their staff within the range permitted by profit retention, introduced a floating wage system, and made retention from operating income and other forms of experimenting on wage restructuring to break away from egalitarianism and display the initiative of laborers. But in spite of all this, we must understand that the industries and commerce in urban areas are much more complicated than in rural areas and they are different from rural areas in such aspects as ownership, extent of the socialization of production, and the form of distribution. Industrial and commercial restructuring in urban areas cannot just follow the contracted responsibility system of rural areas, but must be based on the features of the particular industry and commerce and on the basis of substituting taxes for delivery of profits; it is necessary to study an overall method that is in a position to correctly handle the relations between the state, enterprises, and workers.

In short, correctly handling the abovementioned five relations on the basis of the experiences and lessons in restructuring the economic system since the founding of the PRC will help us gradually to set up the structure of ownership with the state economy in the leading position, coupled with various economic forms and various management forms; implement planned economy as the main and regulation by market mechanism as the supplement and planned economic system that is characterized by controlling the big share and letting go of the small one; form a multilevel policy system that is characterized by centralizing major powers and decentralizing minor powers and rational division of work between the CPC, government, and enterprises; form a management system of organizing the economic coordination of departments and regions with cities as the main and under professional guidance and implement the management system of unifying responsibility with powers and interest and integrating an economic method with an administrative method. In this way, we will be able to rationalize the economic system of China to mobilize in the biggest way possible the initiative of various areas and to promote an overall upsurge in the development of the socialist economy.

NATIONAL POLICY AND ISSUES

BRIEFS

LIGHT INDUSTRY IMPROVEMENT--Beijing, November 29 (XINHUA)--China's collectively-owned enterprises under the management of the Ministry of Light Industry are today called on to turn out more, better and cheaper consumer goods to meet the growing needs of the people. The call was made by Ji Long, vice-minister of light industry, at a council meeting of the All-China Federation of Handicraft Cooperatives. Over the two past decades, the vice-minister said, the collective industrial enterprises under the ministry have grown steadily. In 1982 their combined output value totaled 46.37 billion yuan. They now employ 7.3 million workers, accounting for 61 percent of the total number of workers in enterprises under the ministry. The collective enterprises under the Second Light Industrial Bureau of the ministry export their products to some 100 countries and regions. Their export earnings last year came to over 3 billion U.S. dollars, or close to 15 percent of China's total foreign trade earnings. The Second Light Industrial Bureau is in charge of collectively-owned handicraft enterprises. The vice-minister called on the collective enterprises to improve management, increase product variety and train more skilled workers.

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ECONOMIC PLANNING

STRATEGY, PLANNING OF SHANGHAI ECONOMIC ZONE DISCUSSED

Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] No 9, 15 Sep 83 pp 25-27

[Article by Zhang Zhenya [1728 2182 0068], chairman of the Nantong City Economic Society and vice chairman of the Federation of Social Sciences: "Discussions on the Development Strategy and Planning Principles of the Shanghai Economic Zone"]

[Text] Establishing the Shanghai Economic Zone is an important policy decision adopted by the CPC Central Committee to reform the economic system in accordance with economic laws. It has great significance in accelerating production development and the four modernizations. Formulating correct development strategy and planning principles for the economic zone has an extremely important bearing on doing a good job in the construction of the economic zone. I would now like to state some of my humble opinions on this issue for your reference in discussions.

I. The Economic Model and Overall Structure of the Shanghai Economic Zone

To discuss the economic model and overall structure of the Shanghai Economic Zone, we should start by analyzing the actual conditions and salient features of the economic zone. Owing to the limitations of my work, I do not fully understand the conditions of all neighboring cities. I will now make a rough analysis as follows:

The Shanghai Economic Zone has 76,219 sq km of land, 39.49 million mu of farmland and 50.58 million people. Its total industrial and agricultural output value was 127.6 billion yuan in 1982, accounting for 15.6 percent of the nation's total. Of this, industrial output value was 106.5 billion yuan, accounting for 19.1 percent of the nation's total, and agricultural output value was 21.1 billion yuan, accounting for 8 percent. Its local revenue was 22.8 billion yuan, accounting for 20.6 percent of the nation's total, and its expenditures were 3.47 billion yuan, accounting for 3 percent. These figures show that the economic zone has made a great contribution to the revenue of the whole country. Average per capita industrial and agricultural output value has reached 2,500 yuan. This shows that the economic zone is the best economically developed area in the country.

Light and textile industries account for about 59 percent of all industries in the economic zone. Other industries account for about 40 percent. The chemical

industry accounts for about 9.8 percent; the metallurgical industry, about 9 percent; the machinery industry, about 8.8 percent; and the electronic industry, about 3 percent. These figures show that the industrial structure of the economic zone is led by light and textile industries, followed by chemical, metallurgical and machinery industries.

About 70 percent of the farmland in the economic zone is planted with grain; 30 percent, with cash crops. Fresh water aquaculture has not been fully developed. The per-mu yield of fish in the Tai Hu is only 8 Jin. A unified harnessing plan has not been worked out for utilizing the idle land in the Tai Hu River Basin, around the mouth of the Chang Jiang and along the beach of the Dong Hai in Nantong Prefecture. The per-mu yield of grain in the economic zone is high but not self-sufficient because of too many people and too little land. The economic zone needs to purchase about 4 billion jin of grain from other places every year.

As far as science and technology [S&T] are concerned, the number and quality of the institutions of higher education, scientific research institutes, engineers, technicians, economic managerial personnel and talented persons in the field of social sciences in the economic zone are both considered the most advanced by domestic standards.

There is no coal mine in the economic zone. Based on the current energy consumption level, the economic zone needs about 40 million tons of coal and 10 million tons of crude oil every year. All these need to be provided by the state and neighboring provinces and cities. Therefore, energy resources are a major weakness of the economic zone.

The communications and transportation capacity of the economic zone cannot meet the needs of production development because only two railways--Huning and Huhang--and a few ports are now available in the economic zone.

Due to the restrictions of administrative divisions, industries are geographically overcentralized, big cities are overexpanded, the situation of the three wastes is serious and the ecological balance is destroyed and needs to be restored immediately.

As far as the types of economic zones are concerned, the Shanghai Economic Zone is different from the Shenzhen and Shekou Special Economic Zones. It mainly relies on its own funds and technology and is based on a solid foundation of existing industrial and agricultural production.

Summing up the above analyses on actual situations and salient features, I have developed a tentative idea for the development model of the economic zone. I think the economic zone should be based on the existing economic foundation, develop both industry and agriculture with emphasis on the processing industry and gradually develop into an economic zone where S&T are advanced, domestic and foreign trades are developed, communications and transportation are efficient and both urban and rural areas are prosperous. This economic model is considered in terms of the economic structure. On

this basis, it is necessary to consider other factors, such as current administrative systems which are not changeable and the enthusiasm of all circles which can be brought into play. My tentative idea about the overall structure of the economic zone is to consider Shanghai as a center and ensure multiple echelons, I mean establishing small economic zones within the big economic zones so that cities can bring along countries in accordance with the principle of considering cities as the center and promoting the economic and cultural development of rural areas. By large-scale centralization, I mean conducting unified planning and organizing integration of large industries, major enterprises and ports of the big economic zone which concern the national economy and the people's standard of living as to eventually establish an economic entity. By small-scale autonomy, I mean giving small economic zones autonomy to handle certain trades and professions such as commune- and brigade-run enterprises and the handicraft industry. It is impossible to centralize everything. Efforts should be made to ensure that the unified plan is not overcentralized. It should be flexible but not confusing. By different characteristics, I mean maintaining the salient features and strong points formed over a long period of time in the 10 cities.

The overall structure and economic model discussed above are bases for formulating the development strategy and plans of the economic zone.

II. The Development Strategy of the Shanghai Economic Zone

The following strategies are envisaged on the basis of the overall structure.

1. Rationalize the division of labor in accordance with economic laws and in light of the characteristics of all cities and develop their strong points.

Generally speaking, every city has its own characteristics. A city does not appear out of thin air. It is an outcome of the development of productive forces, deep social divisions of labor and the changes in production relations. It is an inevitable product of the economic society when reaching a certain stage of development. While cities are taking shape, different characteristics and strong points will gradually be formed in every city through the continuous efforts of laboring people in different ways over a period from several decades to several thousand years. These characteristics and strong points have survived protracted historical elimination and, thus are in accord with the objective reality and economic laws. Therefore, the development strategy of the economic zone should be conducting rational division of labor in accordance with the characteristics of different cities to develop their strong points. Only by doing so can we achieve better economic results.

We should also engage in dialectical analysis of the strong points of all cities. Although technological strong points are an important factor, judging from a long-term point of view, we should pay special attention to the strong points of natural resources and geographic locations. Because technological strong points are manmade and can be changed and advanced technology can be learned, while the strong points of natural resources and geographic locations are natural products, cannot be changed and are extremely important in economic development. The combination of rich natural resources, ideal locations and

advanced technology can create better economic results. Therefore, while drawing up plans, we should pay attention to the characteristics and strong points of all cities, conduct rational division of work and develop their strong points. Otherwise, we will destroy the characteristics formed over a long period of time in accordance with objective law and inevitably cause a reduction of economic growth and results.

2. Fully utilize existing technical and material foundations and develop new and rising industries to catch up with and surpass advanced international levels.

Today's S&T are advancing day by day. New industries are emerging continuously. Our original products are facing a serious challenge from international markets. This should call for great attention. We must not be content with existing strong points and stop advancing. We should quickly concentrate our economic and technical strength on developing new industries. For example, the electronic industry should break through the technology of large-scale and extra large-scale integrated circuits and establish a new computer industry; the textile industry should develop expensive fabrics such as pure cotton, silk and satin and upgrade the post-dyeing treatment technique; the machinery industry should develop international-standard new products that are highly efficient and energy-saving and have high speed and low noise; the shipbuilding industry should develop ships which have fast speed, large deadweight capacity and many uses; the chemical industry should develop quality products; and light industry should develop household electrical appliances, expensive cosmetics and fashionable clothing. In sum, we should put more and better products on domestic and international markets and especially open up international markets. At the same time, we should market these advanced technologies to neighboring provinces so as to accelerate economic development throughout the country.

3. Rationalize crop mix, upgrade farming techniques and develop cash crops.

Agriculture is a major strong point of the Shanghai Economic Zone. Thanks to the rich soil, mild temperatures and abundant rainfall, the agricultural production of the economic zone has always been good. Especially because peasants in this area have always practiced intensive and meticulous farming, the per-mu yield of the economic zone is far ahead of other places in the country. Grain output of 1 mu farmland in the economic zone is equivalent to that of 6 mu in the northeast and more than 10 mu in northwest China. The total agricultural output value of the economic zone was 21 billion yuan last year, accounting for about 16.4 percent of the gross value of industrial and agricultural production in this area and about 8 percent of the total agricultural output value of the entire country. This explains why agriculture occupies an extremely important position in the economic zone.

Agriculture is the foundation of the national economy. Rich resources of farm and sideline products supply industry with ample raw materials. The economic zone has major national cotton production bases which supply a large amount of quality cotton to the light and textile industries. However, the economic zone is not totally self-sufficient in grain and needs to purchase 4 to 5 billion jin every year from other places.

Because China has a large population and relatively little land, meeting the people's needs for food and clothing constitutes a major problem. Doing a good job in agricultural production is our basic national policy. Therefore, success or failure in agricultural production concerns the development of industries, the arrangement of the people's standard of living in urban and rural areas and the development of production in the entire economic zone.

At present, the economic zone is suffering to various degrees a high multiple-crop index, reduced soil fertility and somewhat decreasing per-mu yield. In some areas, plant disease and insect pests are serious. Verticillium wilt of cotton is spreading and developing. Some areas have adopted improper measures to plant crops, harness rivers and utilize land. This should call for adequate understanding and attention of the departments concerned. We should rationalize the distribution of crops on the basis of the natural law and in accordance with the different situations of soil, water and climate. We should do a good job in water conservancy construction, quickly harness the Tai Hu, improve the soil of the Jianghai Plain in Nantong Prefecture, update farming techniques, select and cultivate fine strains, develop new varieties, improve farm machinery, rationalize the application of fertilizer, raise the level of per-mu yield, develop cash crops and do a good job in the production of cotton, silkworms, peppermint, jutes, spearmint, dalmatian chrysanthemums, stevia rebandiana, medicinal herbs and pigeon grass to provide abundant raw materials for the industrial development of the economic zone.

4. Rely on advanced S&T to revitalize the economy in the economic zone.

Technology is a productive force. The development of the national economy must rely on advanced S&T. The CPC Central Committee urges us to build the Shanghai Economic Zone into a comprehensive economic zone which has the most advanced technology and best economic results at home and which can promote development in other places of the country. Therefore, we should strengthen the study of advanced domestic and foreign technology, extensively conduct economic and technical exchanges at home and abroad and actively import advanced foreign technology. Attention should be paid to doing a good job in assimilating, promoting and utilizing foreign technology. We should emphatically accelerate the technical transformation of existing enterprises, group after group, at different times and raise the technical level of the production of the whole society. We should also formulate economic and technical policies conducive to upgrading technology and organize S&T forces of all circles including men of insight in the field of social sciences to combine S&T with production, to change the combination into practical productive forces and to develop the economy of the economic zone in a healthy direction. At the same time, we must be willing to make investments and adopt practical measures to do a good job in intellectual development, reform the educational structure and speed up training of scientific, technical and economic managerial personnel to meet the needs of revitalizing the economy.

5. Strengthen energy and communications construction.

Lack of energy resources is a major problem of the Shanghai Economic Zone. It is short of 40 to 50 million tons of coal and 10 to 15 million tons of petroleum

every year. It also suffers from a serious shortage of electricity. By rough estimates, about 20 to 30 percent of equipment cannot be operated at full capacity because of the power shortage. Therefore, solving the energy problem is a task of top priority at present. There are four solutions to this problem. First, transfer electricity from the west to the east. We should quickly transfer electricity from the Gezhou Dam to the Huadong power network, build power stations near coal mines north and south of the Huai He and, at the same time, urge the Ministry of Water Resources and Electric Power to start construction of nuclear power stations as soon as possible and to utilize certain coastal areas of Zhejiang Province to build a tidal-energy power station. Second, urge the Ministry of Coal Industry to quickly install coal transport lines from Jindongnan Prefecture to Nantong Prefecture. Third, vigorously develop coal mines north and south of the Huai He. Fourth, urge the state to adopt a special policy in the economic zone to allow it to bring in energy resources or guarantee its energy supply. Only when it has sufficient energy can the Shanghai Economic Zone function well in promoting the national economy.

The economic zone has only the Huhang and Huning railways. The transportation situation is very tense. Shanghai Port has already been overloaded. To solve the communications and transportation problems, we should not only fully utilize Nantong, Zhangjia and Ningbo ports, but also link up water and land communications lines of areas concerned and take advantage of the economic zone's location on the river and coast line to vigorously develop the water transport business.

6. Unite internally and push toward the outside to build the economic zone into an important base of foreign trade.

The Shanghai Economic Zone is located on the west coast of the Pacific Ocean and has deepwater ports along both rivers and the coast. As early as 1843, Shanghai became an international trading port and had very convenient water and land communications. The Shanghai Economic Zone should gear its industry to the needs of domestic and international markets, utilize natural resources, funds and advanced technology both at home and abroad and give full play to its existing technical and economic strong points to produce high-grade, precision and advanced products, walk out of domestic markets, enter international markets and build itself into the biggest foreign trade and export base in China.

The Shanghai Economic Zone should proceed from the situation as a whole and integrate all cities in the economic zone to compensate for each other's deficiencies, develop each other's strong points and act in unison while dealing with foreign countries. The integration can create new productive forces and produce more and better products. Especially, it can expand trade with foreign countries and open up international markets.

In sum, the development strategy is, under the guidance of the blueprint of the overall structure of the economic zone and based on the existing foundations, to develop the strong points, avoid the weaknesses, rely on advanced technology, do a good job in the building of four pillars--industry, agriculture, energy and communications--implement the principle of uniting internally

and pushing toward the outside and build the Shanghai Economic Zone into an important base which can promote the four modernizations throughout the country.

III. The Planning Principles of the Shanghai Economic Zone

The following planning principles are meted out in accordance with the above development strategy.

1. Formulate the "Seventh 5-Year Plan" and the plan for the last 10 years of this century in accordance with the fighting goal of quadrupling the production by the end of the century set forth by Comrade Hu Yaobang at the 12th CPC Congress, the demands set forth by the state on the Shanghai Economic Zone and the actual conditions of the 10 cities and 57 countries of the economic zone. Efforts should be made to break the barriers created by administrative divisions between higher and lower levels and between different departments, accelerate integration and emancipate productive forces.

2. Adhere to the principle of developing strong points and avoiding weaknesses. We should further develop the strong points of the economic zone in light and textile, electronic, shipbuilding and some machinery industries. Those industries which consume a large amount of energy and require a large amount of minerals must be properly controlled. At the same time, we should pay attention to the needs of both domestic and international markets in accordance with the principle of considering the planned economy as a key link and market regulation as a supplement. If the economic zone has the conditions to produce certain products, on principle we should produce such products and all of their accessories. Except for those products under the state command plans which must be developed in accordance with state regulations, the development scale of all products should be planned in accordance with the needs of domestic and international markets.

3. Rationalize the distribution of industry on the basis of the comprehensive economic results of society. The so-called comprehensive economic results of society are judged mainly from the level of technology, the amount of profits, the distance between the resources of raw materials and plants, the distance between the markets and plants, the number of employees, environmental influence, factor of communications and burdens of urban and rural areas. Take the cotton textile and food industries, for example. Some cities have technical advantages, but they are short of natural resources. They need to transport raw materials from other places, but they do not have enough transport facilities. The urban areas are also overcrowded. Under these circumstances, we should mainly upgrade their products or have them develop new products. We should actively support the development of those medium and small cities which are rich in natural resources. From a long-term point of view, this is conducive to improving the comprehensive economic results of society.

4. Do a good job in dividing the work among cities and emphasize the development of different areas of different cities. The 10 cities all have their own strong points and weaknesses. In order to bring into better play their

strong points, emphasis must be placed on developing different areas. There are five areas which need to be emphasized. The first is strong points and characteristics. The second is the amount of natural resources. The third is the conditions of communications and ports. The fourth is economic foundations. The fifth is technical forces. Special attention should be paid to the first and second areas to develop the strong points and avoid the weaknesses.

5. Great attention should be paid to agricultural development and doing a good job in developing commune- and brigade-run industries. There is a surplus of labor in the economic zone because there are many people and little land and because the contract system has been adopted in rural areas. Commune- and brigade-run industries are places to consume rural labor, raise commune members' income and conduct rough processing of farm and sideline products. The total output value of commune- and brigade-run industries has accounted for 40 percent of the total agricultural output value and has become an important component of the economic structure of agriculture. Therefore, while drawing up plans, we should adhere to the principle of supporting, assisting, programming, guiding and accelerating the development of such industries.

6. Uphold the principle of the CPC Central Committee on controlling the development of large cities and strengthening the building of medium and small cities and towns. In order to reduce the drawbacks caused by excessive expansion of cities, large cities should focus on the improvement of quality by producing more high-grade, precision and advanced new products. They should not engage in quantitative expansion. Those products which require simple techniques should be produced in medium and small cities and towns where raw materials are available. Decentralizing the distribution of industry and organizing economic networks are conducive to overcoming the expansion syndrome of large cities and the development of medium and small cities and towns.

7. Adhere to the principles of seeking truth from facts and acting in accordance with one's ability. All cities must determine their development speed and scale in accordance with their financial and material capacities to avoid the tendency of making unfeasible plans and asking the state for investment. Efforts should be made to hammer out a down-to-earth development plan which has a practical guiding significance.

8. Focus on internal affairs, follow the road of technical transformation and avoid starting too many projects and projects which cannot be completed. Imported advanced technology and equipment should be openly exchanged, promoted and utilized in the economic zone. Efforts should be made to oppose information blockage to avoid excessive imports and unnecessary losses.

9. Make unified plans with due consideration for all concerned to improve the people's standard of living and develop production and construction and make proper arrangements for the ratio between accumulation and consumption to prevent one-sidedness in accordance with Comrade Chen Yun's directive "First we need food and second we need construction."

10. Conduct joint investigations and planning. Concerned personnel of all cities and industries must be organized to conduct investigations of different industries and special subjects and, on the basis of doing a good job in the planning of major industries, formulate an overall development plan. Joint investigations can prevent one-sidedness and tendentiousness and make plans more practical.

Establishing the Shanghai Economic Zone has a far-reaching significance. It concerns the mission of exploring a Chinese-style socialist modernization. The CPC Central Committee is very concerned about it. All people are enthusiastic about it. We have confidence that we can do a good job in the construction of the Shanghai Economic Zone.

12302
CSO: 4006/058

ECONOMIC PLANNING

FUJIAN TO SPEED UP SOUTHERN REGION DEVELOPMENT

OW261231 XINHUA in English 0709 GMT 26 Nov 83

[Text] Fuzhou, November 26 (XINHUA)--The Fujian Provincial Party Committee and Government recently set up a committee to guide the work of speeding up the development of the province's southern region with the Xiamen Special Economic Zone as the center.

This region includes the city of Xiamen and 19 counties and cities in Jinjiang and Longxi Prefectures. The area is about 20,000 square kilometers and has a population of over 10 million. The industrial and agricultural output value of this southern region accounts for 34 percent of the provincial total.

Longxi Prefecture is an excellent producer of grain and fruit and has a good food processing industry. Quanzhou, the biggest city in Jinjiang Prefecture, has been a well-known harbor since the Song and Yuan Dynasties. It is now open to foreign shipping the region has a high scientific and cultural level. Over three million Overseas Chinese make their homes there.

The opening of Xiamen International Airport and completion of the first stage of the project modernizing Dongdu Harbor provide convenient communications for the province's coming economic boom.

Wang Yishi, secretary-general of the provincial government is also chairman of the newly set up committee to guide development of the region. At a recent meeting, the committee discussed industrial and agricultural production, foreign economic relations, attracting overseas investments, introduction of advanced technology, development of energy and communications and tourism and establishment of banking and trade centers.

CSO: 4020/042

ECONOMIC PLANNING

EXPANSION OF FEED PROCESSING INDUSTRY URGED

OW222216 Beijing XINHUA in English 1543 GMT 22 Nov 83

[Text] Beijing, November 22 (XINHUA)--China's feed processing industry has great potential for expansion, according to Li Ruishan, vice-minister of the State Economic Commission. He was addressing a national meeting on the feed processing industry which closed here today.

In 1982, Li said, the country's output of composite and mixed feed came to six million tons, accounting for only 10 percent of the concentrated feed used nationwide. He noted that the growth of animal husbandry and aquatic products breeding called for faster expansion of the feed processing industry. "Composite and mixed feed is now in short supply," he said.

"More meat, eggs, milk and fish must be produced to meet increasing needs," Li added. Per-capita consumption of meat was 13 kilograms in 1982, milk 1.95 kilograms and eggs 2.8 kilograms. Animal husbandry and aquatic products accounted for only 18 percent of the nation's agricultural output value, he said.

The vice minister stressed that composite and mixed livestock and poultry feeds were needed to raise output.

China had 700 feed processing factories in 1982, each producing more than 2,000 tons annually. The State Economic Commission is now drawing up a plan for the development of the feed processing industry," Li said. He added that the state could not afford to many large, modern feed processing factories. It could only invest in some large factories, while medium-sized factories should be built by provincial governments and small ones set up in the rural areas.

Li said the expansion of the feed processing industry called for concerted efforts by the departments of food, agriculture, animal husbandry, fisheries, farm machinery, chemicals and light industry. They should provide more and better grain, equipment and additives, he said.

China has imported feed processing equipment from the United States and Hungary, Li told the meeting. Two factories with equipment introduced from the United States are scheduled to go into operation in Sichuan and Jilin Provinces in 1984. Each factory is designed to produce 3,000 tons of feed a year, he said.

AGGREGATE ECONOMIC DATA

BRIEFS

CAAC ANNUAL QUOTA FULFILLED--Beijing, November 25 (XINHUA)--The Civil Aviation Administration of China (CAAC) fulfilled its annual quota for specialized flights two months ahead of schedule, according to CAAC officials. From January to October this year, over 230 planes were dispatched for special flights involving aerial seeding, surveys and other services. Their total flying time of 38,000 hours was 8.8 percent more than in the same period of 1982. Some 90 aircraft were involved in aerial sowing of tree seeds on more than 600,000 hectares and sowing of grass seeds over 67,000 hectares in 22 provinces, municipalities and autonomous regions. The figures represent a 30 percent increase over last year. Agricultural flights were carried out to sow seeds and spread fertilizers, pesticides and weed killers over 2.4 million hectares of farmland. Patrol flights were made over 33.3 million hectares of forests to take precaution against forest fires. Fifteen helicopters were used in oil exploration projects involving both Chinese and foreign firms. The helicopters' flying time came to 5,200 hours, 75.3 percent more than in the same period a year ago. [Text] [OW251246 Beijing XINHUA in English 1221 GMT 25 Nov 83]

RISE IN LIVING STANDARDS--Beijing, November 25 (XINHUA)--The living standard of Beijing urban residents continued to rise in the first nine months of this year, according to a survey made by the city's statistical bureau. Results of the survey indicate the monthly income for Beijing's urban residents from January to September this year averaged 49.62 yuan per capita, an increase of 8.1 percent over or 3.7 yuan more than the same period last year. Part of the bureau's regular study of the life of residents, the survey did a random sample of 1,200 workers' families. In the same period, the monthly expense of each urban resident was 46.36 yuan, as against 43.50 yuan in the same period last year, a 6.6 percent increase. Of an average resident's budget, 27.68 yuan was spent on food, 6.02 yuan on clothing and 7.44 yuan on articles for daily use, increases of 6.7, 5.7, and 6.6 percent respectively over the same period last year. An earlier report by the bureau said the total price index for the nine-month period basically remained at the same level as in the same period last year. During the nine months, the 1,200 families purchased 11 color-TV sets, 349 wristwatches and 30 refrigerators, 5.5, 3.2 and 2 times that of the same period last year; 107 cassette tape recorders, 76 washing machines and 112 radios, an increase of 88, 69 and 29 percent respectively. At the same time, purchases of sewing machines, record players, black-and-white TV sets, bicycles and electric fans decreased by from 11 to over 40 percent. [Text] [OW251128 Beijing XINHUA in English 0906 GMT 25 Nov 83]

ECONOMIC MANAGEMENT

JINGJI YANJIU ON COUNTY-CITY ECONOMIC REFORM

HK050911 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 83 pp 22-25

[Article by Jiang Changwen [3068 1603 2429]: "A Discussion of Several Problems About the Reform of the System of Economic Management After the Municipalization of Counties"]

[Text] Under the new system of the cities administering the counties, the production and circulation activities of the cities and the countryside are being joined together, forming network-life and open-type small economic zones, with central cities and towns providing the backing and support. This is an important reform in economic management. Below we shall discuss how this actually happened in Changzhou City.

Changzhou City is a medium-size industrial city. Its industry has a fairly firm foundation and turns out certain products which can meet market needs and are generally competitive in character. It is relatively developed in science and culture. Historically, it has rather natural economic relations with its surrounding localities. Following approval by the State Council, Jiangsu Province decided that, as from 1 March 1983, the three counties of Wujin, Jinyun and Liyang be assigned to the leadership of Changzhou City, generally forming a small economic zone and fitting together an economic division and an administrative division. This created the conditions for breaking the state of demarcation between departments and localities and the state of a locality blockade, at the same time opening up economic horizontal relations, strengthening the union of the cities and the countryside, and further developing regional economy.

The administration of counties by cities has brought along a series of changes in economic work and provided the leadership and management of economic work with many new problems. We believe that the original system and method are no longer suitable and that a big change is needed in guiding thought and in economic organization and method of management in order to meet the needs of the establishment and development of small economic zones.

I. A Big Change in Guiding Thought Is Necessary

Enforcement of the new system of cities administering counties is for the purposes of creating the conditions for the use of economic measures in

economic management, for developing the economies of the cities and the countryside, and for improving the composite results of the regional economy. However, for a prolonged period of time, we have been enforcing an economic management system principally based on administrative division and administrative control. This has formed in people's mind a traditional concept accustomed to the management of the economy according to the administrative layers, the administrative mechanism, and administrative measures. In this way, the old traditional concept and customary forces will necessarily come into conflict with the new system of management. If a big change is not made in the guiding thought and if we continue to use old ideas, old systems, and old methods to lead and manage the small economic zones, then there is no possibility of using new administrative chunks or measures to replace the old administrative measures and the economic zones will be unable to display their superiority, thus taking the old road again. Hence, in enforcing the new system of the municipalization of the counties, first of all a big change must be made in the guiding thought.

1. The idea of the cities and the countryside being one body must be formed and the thought and concept of an economic zone must be generated. Municipalization of the counties is not a simple readjustment of the administrative division; it is to make the economic union of the cities and the countryside become an organic entity. A small-type economic zone is not a unitary economic zone. Rather, it is a composite economic zone in which the economic, scientific, cultural and social enterprises are coordinately developed. Hence, in deliberations on problems, formulation of plans, and doing our work, we must take the whole economic zone as the starting point, and also the cities and the countryside being a single body as the starting point. We must adopt the policy of overall consideration and all-round arrangement. We must enable the cities and the countryside to fully display their individual superiorities and special features. We must make a rational disposition of the productive force of the economic zone, facilitate the coordinate development of the economic and various enterprises of the cities and the countryside, put into shape a composite function for the regional economy and search for a road for the cities and the countryside to achieve a comprehensive economic development with characteristic Chinese feature.

2. The idea of an economy of a network-like and open shape must be formed and not one of a closed-door and "chessboard" type. The Changzhou small-size economic zone is a composite entity by itself, but in relation to the Changjiang Economic Zone with Shanghai as the center and the macroeconomy of the country, it is only a part of the whole. Hence, Changzhou's planning and arrangement and its economic work must be based on the considerations of the macroeconomy. There must be no severance of its original horizontal economic relations; nor can it be formed into a new "big and comprehensive," or "small but comprehensive," structure. Far less should it form a system by itself the nucleus. Outside the economic zone, the principle of socialist large-scale production must be followed, organizing various kinds of transregional combines and cooperative units and developing various forms of economic combines. Inside the economic zone, steps must be taken, through reorganization and combination work, to form a strong and powerful economic structure which has many layers, each possessing its own special features. By means of

developing the criss-crossed economic relations both inside and outside the economic zone, this small economic zone with Changzhou as the center must be linked together with the girdle-shaped economic zone centered in Suzhou, Wuxi and Changzhou and the Changjiang delta economic zone with Shanghai as the center, thus gradually forming an economic network which has many layers, is ladder-like and embodies such features as combining big, medium-size, and small units, joining together the cities and the countryside as well as the departments and the localities, and is radiating and open in type.

The idea of using economic measures to manage economic affairs must be formed. In managing small-type economic zones we cannot use simple administrative measures but must make more use of economic measures. The principal special features of the economic management measures are as follows: First, in guiding thought, economic measures demand that improvement of the economic results should be made as the starting point as well as the ending point, that we must pay due attention to business accounting and emphasize "economic rationality." Second, concerning the economic composition, economic measures emphasize that in accordance with the inner relations of economic activities, we should rationally organize production and circulation, develop horizontal relations, break the demarcation line between departments and localities, overcome blockades imposed by the localities, and form diversified forms of economic network. Third, in regard to the handling of economic relations, economic measures call for equality, mutual benefit, reciprocity, and enforcement of exchange at equal value and sharing of benefits by all concerned. Fourth, on management tactics, economic measures call for economic legislation, respect for economic policies, and emphasis on the regulatory role of economic levers. Fifth, in the formulation of economic policies, economic measures depend heavily on economic surveys, economic counselling, collection of economic intelligence, making feasible analyses, and organizing specialists to take part in deliberations and policy-making.

Concurrently with emphasizing the use of economic measures in economic management, it is also necessary to augment correct political leadership and scientific administrative leadership. Political leadership principally consists of leadership over guidelines, policies and the line or road. In administrative leadership the focal point must be placed on enforcement of the economic policies, at the same time doing a good job of comprehensive planning, co-ordinating, supervising, and rendering services to economic work, but refraining from letting the upper-level organs do jobs normally belonging to lower level units. Leadership over economic work should be carried out by the adoption of political, administrative, and economic measures or methods, all three of which should be well united, supplementing each other and forming an organic whole. Nevertheless, looking at the current situation, it is necessary that, under the party's political leadership, we pay more attention to the use of economic methods in economic management and at the same time, to improving the scientific character of the administrative leadership.

2. Bring Into Full Play the Positive Role of Industrial Companies in Small-size Economic Zones

After the municipalization of the counties, in order to bring about a united organization of the economies of the cities and the countryside and a coordinated development, first and foremost we must bring the role of the central cities and towns into full play, and in this the important connecting link is displaying the role of industrial companies in the small-size economic zones. The reasons are: First, bringing the role of the central cities and towns into full play principally depends on the superior features and real strength of the central cities and towns such as their rich reserves and accumulation of technical knowledge, good quality of their products and their general efficiency in intelligence collection, management, and market control. And all these superior features are centrally reflected in the various industrial companies of the industrial departments of the cities and towns. Therefore, the key to bringing the superiority and strength of the cities and towns into full play is to bring into full play the superiority and strength of the various industrial companies. Second fully displaying the positive role of the industrial companies helps in displaying and developing the superiority of the cities and towns and the superiority of the countryside, thereby enabling the coordinated development of the economies of both sectors. The superiority of the cities and towns is found in their products, technology, and management whereas the superiority of the countryside lies in the rich resources of the localities, including labor power, capital, factory premises and various kinds of natural resources. Under unified planning, the various industrial companies will, in a planned manner and systematically, effect changes, replacements and improvements of their products, to meet the needs of the market and the people's livelihood. At the same time, they will extend to the countryside guidance and aid in technology and in business technique. In this way, it will be possible not only to realize the full utilization of the resources of the countryside but also to facilitate the various industrial companies in having one hand free to proceed with the development of products and of technology, bringing into full play the superiority of the cities and towns and the superiority of the countryside as well as their current superiority of the countryside as well as their current superiority and their potential superiority. Third, the spurring on of the industries in the counties and communes by industries of the cities and towns has an important significance in stabilizing and developing urban and rural economies, tightening the relations between industry and agriculture, and improving the people's livelihood. The gross output value of industries in small-type economic zones makes up 80 percent of the gross output value of industries and agriculture while remittances of profits and taxes from the industries makes up 87.3 percent of the financial remittances from the economic zones; similarly, revenues of the localities are principally derived from receipts and income of the industries while over 50 percent of the income of commune members comes from industries of the communes and brigades. Hence, if we grasp the industries companies of the cities and towns, then, by means of the industries spurring on the industries of counties and communes and in turn spurring on the economies of the urban and rural areas, we are in fact grasping the key and the root of things.

To bring the role of industrial companies into full play in the development of the urban and rural economies, we must rely on their superior features, their strength and their ability to adapt themselves to circumstances. The more obvious their superiority, the greater their actual strength and the stronger their ability to adapt themselves to circumstances, the greater will be their power of attraction in the rural economy. Lacking these qualities, they lack the capability and the prestige to lead and promote the development of the rural economy. To augment the companies' strength, superiority, and ability to adapt themselves to circumstances will require, in addition to strengthening and improving their own production, construction, operation and management, further improvement and reform of their economic management system, thereby, by means of their own reform, taking the lead of promoting and bringing about reforms in planning, material resources, commerce, foreign trade and other sectors. They should also take advantage of the reforms to promote their transition to economic entities.

In the reform of the economic mechanism, Changzhou City abolished the industrial bureau, formed 11 separate industrial companies, and, in various ways, enlarged the powers of these companies. However, only a start has been made in this work of experimenting on the formation of companies of a business nature and they still have not yet met all the requirements of an economic entity. Further probing work must continue.

In order to speed up the transition of the companies to economic entities, we believe that currently we must tightly grasp the following five categories of work: First, we must take improvement of the economic results as the primary objective and also take as focal points the tasks of developing markets, developing the products, developing technology, developing and training up the personnel, and raising the competitive power of the products and the companies' ability to adapt themselves to circumstances, in this way gradually transforming the companies from being merely productive-type units to production- and operation-type units. Second, we must further expand the management power of the companies and set up a management responsibility system for them. In accordance with the requirements applicable to relatively independent economic organs, the companies must have a clear knowledge of the economic responsibility they bear to the state. On its part, the state should confer on them appropriate autonomous power in operation and management, linking together responsibility, power, and interest. It should strengthen its supervision and guidance. At the same time, taking into due account the different special features of the individual companies and their operation and management level, it should continue to expand the powers which these companies should possess, and, in conformity with the principle of demarcating the functions between political and business organs, designate the companies to handle all the functions which the local governments should not handle, or cannot handle, or cannot handle fully. Third, in accordance with the development objective of the companies and by means of readjustment and reorganization work, we must further improve the job of specialized cooperation, step up the technical transformation of the companies, bring about the formation of an even larger and comprehensive productive power, and generally improve the economic benefits of the whole. Fourth, we must correctly handle the relations between the state and the companies and between the companies and

the plants. Concerning the internal economic affairs of the companies, the local governments should avoid all unnecessary administrative intervention but should more intensively bring into play the role of economic legislation, economic policies, and economic levers. Between the companies and the plants, we should handle well the relations between centralization of power and division of power. The extent of the centralization of power and division of power should be governed by the level of the development of specialized cooperation and of the productive force. Concerning the powers which the companies give to the plants, those that are on the proper track and are beneficial to production and operation should be only enlarged and not retracted. More importantly, in handling their own internal relations, the companies should take up more of the economic viewpoint and the economic methods. Abiding by the principle of all sharing in the benefits and exerting joint efforts to tide over difficulties, we should handle well the task of making a rational distribution of the economic interests between the companies and the plants and between the plants themselves, in this way encouraging both the companies and the plants to display their enthusiasm. Fifth, we should start from reality in formulating the program or rules governing the transition of the companies to economic entities. Based on the disparities in the degree of specialized cooperation, in the development level of the productive force, and in the enterprise structure and its mode of operation, we should formulate different transitional procedures and gradually form companies of an enterprise or business nature which are in diversified forms with each possessing its special features. We should not attempt to complete the work at one stroke or follow one common pattern.

3. Formation of a Multi-Layer Economic Network of the Cities and the Countryside

To bring the role of central cities and towns into full play to lead the countryside in development, we cannot rely merely on administrative measures but should take economic reality as the supporting pillar and, through organizing a city-countryside economic network, unite the cities and the countryside, form a multi-layer network mechanism, and thus promote the coordinate development of the urban and rural economies. Small-type economic zones formed in a network structure are not administrative zones and are also different from cooperative zones subject to administrative intervention. They are not unitary economic structures but belong to an economy of the complex type. They do not belong to the closed-door system of the chessboard type but to the economy of the open and radiating type. Formation of this category of small-type economic zones of a network structure not only opens up a road for developing local economy but also creates the necessary conditions for the development of large and medium-size economic zones from now on.

In our opinion, in organizing the urban-rural economic network, we should lay the stress on grasping the following five networks: First, the industrial-economic network, that is, the industrial specialized-cooperation network. In its formation under the new conditions, we should make full utilization of the "one-dragon" experience, providing it with new contents. In the main, we should let the superior products and superior industries and trades take

the lead in operation and development, enlarge the urban-rural union, and organize a multi-layer specialized cooperation network. Second, scientific and technical management network. Its component parts are science and technology, popular science, agricultural science and technology, scientific and technological information, and scientific and technological counsel. The main point is, using the accumulated reserve of technological knowledge as backing or center, to develop popular or so-called "first" products and new industries and trades, promote technical counselling services, develop "one-dragon" cooperation in scientific research, and organize the tackling of key technical problems and exchange of scientific and technical knowhow. Third, the circulation network. Principally speaking, this network should be in accord with a circulation direction which is economically rational; its formation should comprise diversified economic constituents, diversified operation forms, and diversified circulation lanes. The wholesale mechanism should be reorganized, the mode of purchasing and marketing should be improved, the flow of goods and natural resources between the urban and rural areas should be expanded and difficult problems in buying and selling should be solved. Fourth, the financial and credit and loan network. Main stress should be laid on making the settlement of accounts between the urban and rural areas more flexible and "lively," doing a fine job in financial intelligence work, strengthening the rational disposition of funds and bringing into full play the promotional and regulatory role of finance and credit and loans on the urban and rural economies. Fifth, the communications, postal, and telegraphic network. Principal stress should be laid on augmenting the basic facilities of the communications, post, and telegraph sectors, opening up and/or linking together the postal lanes, telegraph lines, waterways, highways and roads inside the small-type economic zones, gradually realizing the modernization of the communications, postal, and telegraphic facilities, and thus generally meeting the needs of economic development in the urban and rural areas.

The multi-layer state of the productive force determines that the economic structure must also be of a multi-level character. Here, the focal work is to grasp well the job of forming the industrial economic network, proceeding in three separate stages. The first stage relates to "linking up" work. This includes jobs such as listing and organizing the components of the network, conducting survey and research in advance, finding out the actual conditions, sorting out production plans, and compiling statistics on classification and assessment of the enterprise units. At the same time, current outstanding problems concerning production, management and technology must be solved. It is known that at present, a group of 256 enterprise units subordinate to the counties are going through the classification and assessment process according to the new method. The second stage concerns the work of "netting." Conforming with the requirements of a network, this embraces the work of formulating development programs, undertaking planning jobs, searching for measures to smooth out sources of supply of raw materials from the outside, finding marketing channels for products, and, inside the network itself, fixing work norms and promoting cooperation in work. The third stage relates to "associating" and "grouping" work. This implies that on the principles of specialized cooperation and economic rationality and on the basis of equality, mutual benefit, and reciprocity, enterprises which turn out similar products and are more or less of the same technical level are joined together to form diversified types of economic combines. Inside the combines, among the enterprises

no change is made in their ownership system, or in their status of subordination, or in the channel of their financial remittances to the state. They share in the benefits and in whatever honor or glory is accorded to them. At the same time, centering around the development and upgrading of products, efforts are made to readjust the production arrangements, to improve the structure of the products, to undertake technical transformation, and generally to fully display the comprehensive economic benefits of the combines. Economic combines are formed, centering on such factors as superior trades and industries, superior products and superior resources. Wherever the superiority lies, there the "dragon head" is located and development starts therefrom. For example, in the case of the building materials industry, the feed materials industry and the food-processing industry, the superiority lies in the countryside; hence the "dragon head" is located in the countryside. In the case of products like hand-operated tractors, corduroy cores for lamps, and so on, the superiority lies in the cities and towns; hence the source of the "dragon head" is in the cities and towns. In short, in setting up the five networks, the guiding spirit is to follow the unified plan, try out the easy ones first, follow up with the more difficult ones, break through the focal points, and proceed step by step.

A multi-stage network calls for management types in diversified forms. The various industrial companies perform the function of management and control over enterprises subordinate to the municipality; concerning enterprises subordinate to the counties, they perform the function of provisional control; while, concerning the large number of enterprises belonging to the communes and brigades, they perform the function of providing technical and business guidance.

The purposes of forming network mechanisms are as follows: Unified organization of urban and rural economies, bringing out the superior features of the cities and the countryside, developing their potential superiorities, bringing into being the special features of industries and trades and the special characteristics of products of the economic zones, doing a good job of "uniting together internally and repelling external forces," elevating the composite strength and competitive power of the localities, and, through bringing into play the local superiorities of the small economic zones, likewise bringing into play the superiorities of the economic zone with Shanghai as the center.

Simultaneously, a big change must be made in the economic leadership mechanism. The formation and development of small-type economic zones require the improvement and strengthening of the leadership over economic work. The center point in the reform of a structure is to reform and improve the system and method of leadership; hence, it is necessary to make a big change in the economic leadership mechanism. In this connection, what the Changzhou CPC branch committee and the Changzhou City Government did was to divide the

economic leadership work into three divisions, namely, policy-making division, advisory division and executive division, in conformity with the principle of strengthening policy-making work, setting up an advisory structure and making the executive division small but efficient. At the same time, under the leadership of the municipal party committee and the municipal government (policy-making structure), an economic research center (advisory department) and an economic control center (executive structure) have been established.

The establishment of small-type economic zones has just begun. How to lead and manage the economy of the localities still constitutes a new lesson that requires studying. We must find sure ground to go forward. In this article we are only offering a few suggestions, also trying to probe our way forward. Concerning the economic management mechanism of small-type economic zones, there are yet many problems awaiting study and solution. It still needs to be continuously probed into and continuously perfected.

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ECONOMIC MANAGEMENT

IMPROVING ECONOMIC RESULTS BY CONSOLIDATING ENTERPRISES

Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] No 9, 5 Sep 83 pp 3-6

[Interview with Yuan Baohua, vice chairman of the State Economic Commission and head of the National Leading Group for Consolidating Enterprises, on how to consider improving economic results as an objective, do a better job in consolidating enterprises in an all-round way and improve the quality of enterprises, during the National Symposium on Industrial and Communications Work held 5-11 August in Beijing: "Improve Economic Results by Means of Consolidation"]

[Text] Comrade Yuan Baohua said: The tasks of this symposium are studying and implementing the guidelines of the First Session of the Sixth NPC, the Central Work Conference and relevant directives of leading comrades of central authorities and studying and solving questions concerning how to consider improving economic results as an objective, do a better job in consolidating enterprises in an all-round way and improve the quality of enterprises. During the symposium, participants have studied and understood the guidelines of relevant speeches of leading comrades of central authorities, listened to the important speech of Comrade Zhang Jingfu, member of the State Council, and conscientiously exchanged experiences. Comrades participating at the symposium unanimously held that this symposium was an important meeting to further shift the work of enterprise consolidation to a course based on improving economic results. Comrade Zhao Ziyang's recent speech on improving the quality of enterprises has deeply exposed the crucial reason why the economic results of our enterprises are poor and further clarified the orientation of enterprise consolidation. We must correct our thinking, exert ourselves and enhance our initiative and sense of urgency in consolidating and upgrading our enterprises.

Then, Comrade Yuan Baohua told reporters about the current situation of the work of enterprise consolidation. In the first half of this year, the work of enterprise consolidation made relatively great progress; especially after the National Industrial and Communications Work Conference in March, the progress was even faster. Implementing the guidelines of the National Industrial and Communications Work Conference and in accordance with the concrete demands for improving economic results, many localities and departments have adopted effective measures to gradually shift the work focus to improving economic results. They have scored relatively good results and created some good examples and advanced experiences in this regard.

When asked how to solve some outstanding problems concerning how to do a better job in the work of enterprise consolidation under the new situation, Comrade Yuan Baohua said: In order to do a good job in consolidating enterprises in an all-round way with the emphasis on improving economic results, we must concentrate on issues concerning seven aspects.

At present, many enterprises are of low quality and have poor flexibility and economic results; about a quarter of the budgeted state industrial enterprises are operating at a loss. This state of affairs is caused by many factors. As far as the macroeconomy is concerned, the problems are an irrational economic management system, industrial structure and organizational structure of enterprises. In regard to these problems, the State Economic Commission is planning, in accordance with Comrade Ziyang's directives, to cooperate with all localities and departments in conducting a systematic investigation in the second half of this year and make some suggestions on further improving the quality of enterprises and increasing the economic results in an all-round way. This symposium is focused on solving the internal problems of enterprises. As far as the internal affairs of enterprises are concerned, the problems are backward management and technology and poor political and technical quality of the staff and workers contingent. Therefore, aside from studying and solving macroeconomic problems, a pressing matter at the moment is to do a good job in consolidating enterprises in an all-round way. This cannot wait or be avoided. By carrying out an all-round consolidation, first we should improve the political, technical and professional quality of enterprises' leading bodies and staff and workers contingent to meet the needs of carrying out modernized large-scale production and practicing scientific management; second, we should improve the technical quality of enterprises, including designing, technology, instruments and equipment, to meet the needs of developing new products and improving, updating and upgrading old products; and third, we should improve the managerial quality of enterprises, perfect the leadership system, increase the decisionmaking ability, strengthen the work in grassroots units and reform the organizational structure to meet the needs of the changing conditions of the external environment. Through the improvement of quality in the above three areas, we will further increase the vitality and competitiveness of enterprises. In sum, striving to improve the quality of enterprises with the improvement of economic results as the objective is the central issue in consolidating enterprises in an all-round way under the new situation.

1. Improve the quality of enterprises' leading bodies, correct the guiding ideology and increase the decisionmaking ability. The key to consolidating enterprises well is to consolidate leading bodies well and improve their quality. Only when leading bodies are daring, working hard and bold in blazing new trails can we start the ball rolling and change the appearance of enterprises. The current work of consolidating enterprises' leading bodies is not satisfactory; the progress is not fast enough. Some leading bodies cannot meet the requirements of the four modernizations even after the consolidation. This is mainly because they do not have management skills, complete professional knowledge and a rational composition. Judged from local experiences, we think that in order to guarantee the quality of the leading bodies we must adopt the following measures: First, we must adhere to the criterion

of the four modernizations with emphasis on respecting knowledge, unhesitatingly using talented personnel, continuously overcoming the leftist influence and promoting outstanding technical and managerial personnel to leading positions. On this precondition, we should properly utilize talented personnel and pay attention to bringing into play their specialties. Second, we should concentrate on doing a good job in replacing old cadres with new cadres to ensure the continuity of the work. Because enterprise production and management are relatively complicated, those who are advanced in age but physically strong and have relatively rich experience in management should allowed to stay for a certain period of suitable successors cannot be found at the moment. Third, we should firmly uphold the criterion for age and cultural levels, but we should also proceed from cadres' current situations. While manning leading bodies, attention should be paid to forming a ladder-shaped age structure. Personnel with college and secondary vocational school education and personnel with equivalent professional skills, including those having diplomas and those without diplomas but reaching such cultural levels through self-study and examination, should account for more than 50 percent of the leading bodies of large and medium backbone enterprises. Small enterprises should gradually reach this target in accordance with their actual conditions. Major responsible persons of enterprises should be judged not only by their age, cultural level and professional skills but also by their decisionmaking, professional, organizational and coordinating abilities. Forth, we should concentrate our efforts on training newly assigned members of leading bodies to strengthen their ideological and professional improvement. All localities and departments should work out plans and measures in accordance with the division of work in cadre training and strive to implement them. The initial plan of the State Economic Commission is to conduct, beginning next year, rotational training of leading cadres of economic commissions of provinces, municipalities, autonomous regions and major industrial cities and leading cadres of nationwide industrial companies and some larger enterprises. More than 1,000 persons will be trained during a period of about 3 years.

We should firmly establish the guiding ideology of business based on improving economic results. At present, quite a few units still tend to one-sidedly emphasize speed to the neglect of economic results, try to increase economic results by mainly increasing output and lack effective measures to increase the variety and improve the quality of products, reduce the consumption of raw materials and lower the cost of production. Through consolidation, we should shift all work of enterprises to a course that is based on improving economic results and change enterprise from a pure production type to a production-management type. Judged from the experiences gained by many enterprises, the effective ways of improving economic results are: Make good business policies and organize production in accordance with the needs of society to improve economic results by creating more readily marketable products; strengthen economic accounting, reduce consumption of raw materials, economize on expenditures and speed up capital turnover to improve economic results by increasing income and economizing on expenditures; strengthen control over the number of staff and workers and production quotas to improve economic results by reducing labor consumption; improve the quality of products and do a good job in updating and improving old products and developing new products to improve economic results by improving technology. By doing so, we should ensure good quality, high marketability, low consumption, profit-making and safety and create a brand new look for enterprises.

2. Strengthen grassroots work, do a good job in "double fixes" and further perfect the economic responsibility system. At present, the grassroots work of enterprise management is still very weak; phenomena of overstaffed organizations and lax labor discipline are quite common; and the economic responsibility systems of many enterprises are not perfect. After consolidating enterprises' leading bodies, we must concentrate for a certain time on conscientiously consolidating labor organizations and labor discipline and further improving economic responsibility systems. While handling those personnel who are hired without authorization, we must resolutely fire those who are hired in addition to the fixed number of staff and workers and those who are included in the fixed number but can be replaced by permanent workers. As for those who cannot be replaced and are really needed in production, we should first adopt such measures as distinguishing between two ownerships and signing labor contracts and then create conditions to gradually solve the problems.

The focal points of strengthening grassroots work are: 1) strengthen the work of standardization to make our enterprises more competitive in both domestic and international markets; 2) strengthen the work of production quotas. Production quotas must be fixed and applied wherever they are applicable; and the average of such quotas must be kept at an advanced level; 3) improve measurement work, plan to make up a complete set of measuring instruments and reform backward measuring technology; 4) strengthen information work, do a good job in original records, strengthen statistics and analysis, conduct data processing and handle scientific, technical and economic archives well; 5) perfect rules and regulations with emphasis on responsibility systems; 6) strengthen basic education work with emphasis on ethics and ideological education and technical and professional education required by individual professions and positions such as "Staff and Workers Rules" and training in basic skills which every worker must know. With regard to the above grassroots work, departments concerned should set forth concrete demands, rates of progress and measures to be taken in light of the characteristics of different trades and professions and consider them as criteria for judging the results of enterprise consolidation and "six good" enterprises. Funds, instruments and materials needed for the grassroots work should be included in the technical transformation plan. Efforts should be made to do a good job in scientific research, production and supply of measuring and surveying instruments.

3. Strengthen financial management, concentrate on halting deficits and increasing profits and further consolidate financial and economic discipline. At present, enterprises' financial management is extremely weak. This is another major cause for the poor economic results of enterprises. Therefore, we must consolidate financial management with the emphasis on improving economic results. We should establish complete property and material control systems, spending examination, approval, receiving and report systems, rules for calculating the cost of production and rules for the management of production costs. We should do a good job in the three-level accounting work and carry out economic responsibility systems to guarantee economic efficiency targets of production, technology, quality, production cost, expenditures, profits and funds. We must see to it that enterprises reduce the cost of production and expenditures as indicated in the state plan. If they fail to do so, we should accordingly reduce the portion of profits retained by them.

We should vigorously do a good job in halting deficits and increasing profits. All localities and departments must analyze every money-losing enterprise under their jurisdiction, especially those having large deficits, and help them halt deficits within a certain period by working out plans and measures and clarifying targets for each of them. These plans and the situation of implementing these plans should be reported to the Ministry of Finance and the State Economic Commission by the end of October. Participants at the symposium contend that Jilin Province has made a new breakthrough in halting deficits and that its experiences need to be studied and publicized. With regard to money-losing enterprises, we should first use "force" and second use policies and give them a way out. Enterprises which have failed to fulfill their plans to halt deficits and those which have suspended production to carry out consolidation are not allowed to draw the share of profits for reducing deficits or to issue bonuses. Enterprises which cannot halt deficits after consolidation within a given period or after consolidation with production suspended must be closed, suspended, merged or retooled. They will not be given deficit subsidies. Their staff and workers will not be given raises for the time being. Their secretaries and directors should resign on their own or be fired on the spot. Those enterprises which have made up their deficits within the given period should be given necessary encouragement. We should sign contracts with some enterprises for progressively reducing their deficits or give them fixed quota subsidies based on products so as to give them some internal motive force to make up deficits and increase profits. We should urge industrial enterprises throughout the country to reduce their deficits by 30 to 50 percent compared to last year's and strive to wipe out operational deficits through 2 years of efforts.

We should strictly consolidate financial and economic discipline and resolutely stop and correct the evil tendencies of increasing prices and apportioning expenses without authorization. Eliminating these tendencies is an important part of consolidating financial and economic disciplines under the new situation. The phenomena of arbitrarily apportioning expenses to enterprises and extracting fees from enterprises are becoming more serious day by day. Therefore, we must reaffirm the stipulation of the State Council that only the State Council and provincial people's governments have the right to approve the extraction of fees from enterprises and the increased burden on enterprises and that anyone who attempts to exercise this right will be considered in violation of financial and economic disciplines and thus be punished. All localities and departments must conscientiously round up such cases, concentrate on typical ones and deal with them strictly. In sum, on the one hand, we should respect and ensure the decisionmaking power of enterprises in management and operation; on the other hand, we should strengthen the supervision of enterprises and conscientiously carry out consolidation and apply sanctions against such phenomena as arbitrarily apportioning production costs, illegally retaining profits, indiscriminately giving away bonuses and material incentives and evading taxes.

4. Closely integrate consolidation with readjustment, reform and technical transformation in accordance with the principle of comprehensive treatment. To do a good job in this work, we should first persist in combining consolidation with readjustment. We should readjust well the orientation of products

under the guidance of the state plan and do a good job in closing, suspending, merging, and retooling enterprises to create conditions for consolidation. Second, we should make reform run through the whole process of consolidation. We should further carry out and improve the reform of substituting taxation for profit delivery and actively carry out reforms of the organizational structure, labor personnel system and wage and reward system in selected enterprises so as to create internal motive forces as well as external pressures for enterprises. Third, we should rely on advanced technology. In light of consolidation, every enterprise must work out a technical transformation plan emphasizing on improving the functions and quality of products and lowering the consumption of energy and raw and processed materials, extensively carry out masses' rationalization suggestions and technical innovation activities, actively adopt new technology, new equipment, new materials and new techniques, emphasize development of new products and gradually transform production from old technical foundations to a new technical foundation.

5. Production and circulation fields should cooperate and promote each other in carrying out consolidation. The basic tasks of consolidation for commercial, foreign trade and supply enterprises are to serve consumers and be responsible to them, on the one hand, and to pay attention to production, carry out closer cooperation between industrial and commercial departments and increase economic results of society, on the other hand. We should consider these two tasks important criteria for judging the success or failure of enterprise consolidation. While carrying out consolidation, we should emphasize focal points and concentrate on large enterprises which have great impact. Commercial, foreign trade and supply departments and all provinces, municipalities and autonomous regions should unify their plans, vigorously implement them and enable enterprises in the circulation field to make new progress in their consolidation work.

6. Strengthen ideological and political work, do a good job in the training of cadres and workers and raise their political, cultural, technical and professional levels. At present, ideological and political work is weak in many enterprises. Some staff and workers display even serious listlessness, lax discipline, selfish departmentalism, individualism and the phenomenon of doing everything for the sake of money. Particularly at present when organizational restructuring and consolidation work are developing in depth, some staff and workers begin to doubt their beliefs. Our prominent problems are that political, cultural, technical and professional levels of staff and workers are low and that the number of personnel with special skills is small. We should conscientiously implement the "Draft of the Outlines of Ideological and Political Work for Staff and Workers of State Enterprises," practically strengthen ideological and political work and conduct progressive and systematic ideological education in patriotism, collectivism, socialism and communism among staff and workers, especially among young workers, so as to fundamentally raise the class consciousness of workers and build a staff and workers contingent that has ideals ethics, culture and discipline. We should pay attention to carrying out ideological and political work in light of certain situations. We should conscientiously enact the division of work between the party and the government, practically strengthen the leadership over ideological and political work and the building of the contingent and quickly

change the weak situation of ideological and political work. We should conscientiously organize a study of the "Selected Works of Deng Xiaoping," do a good job in readjusting the party's grassroots organizations, concentrate on the education of party members and cadres and make preparations for consolidating the party in an all-round way. Leading cadres, party members and CYL members at all levels must be examples for others, take the lead in correcting unhealthy tendencies and further bring along the broad masses of staff and workers in establishing a fine work style.

Strengthening the training work of cadres and workers is an extremely urgent task confronting us. All localities and departments must set a long-term goal and an immediate target and build in a planned way a contingent of cadres who can satisfy the numerical needs of the four modernizations and are qualified to master modern science and technology, business and managerial knowledge and specialized skills of all fields concerned. They should also build a contingent of workers with intermediate-level technicians as the majority, and ensure that the technical of workers are rational and their political, cultural, technical and professional qualities are higher. Large and medium backbone enterprises should actively create conditions to establish their own training centers; medium and small enterprises can be organized by departments in charge of enterprises to establish joint training centers. Eight training centers should be established as soon as possible in our country. All provinces, municipalities and autonomous regions and all departments and industrial cities where conditions permit should establish economic management schools for cadres and ask some institutions of higher education to run economic management schools for cadres and education schools for staff and workers. Attention should be paid to solving problems concerning school buildings, teachers and teaching materials. Investment needed for this should be included in education and training plans at all levels. We should formulate policies to arouse enterprises' enthusiasm for running schools, teachers' enthusiasm for teaching and workers' enthusiasm for learning. We should strengthen training of specialized personnel, especially accountants, salesmen and personnel in charge of production quotas, to improve the backware situation of specialized management. As for workers, we should continue to fulfill the task of "double supplements" and carry out in a timely manner intermediate-level technical training, striving to substantially increase the proportion of intermediate- and high-level technicians and change the irrational situation of the composition of technical levels after several years of efforts.

7. Enterprises qualified for "five-good" enterprises after consolidation should make further efforts to promote "three constructions" and strive to become "six-good" enterprises. Enterprises which have been checked and accepted after consolidation should not stop making efforts. They should set forth a higher fighting goal, aim for the advanced levels at home and abroad and formulate plans to catch up with and surpass them. They should actively promote the application of modern management methods, practice all-round plan management, quality control, economic accounting and labor personnel management (including all-personnel training). In light of actual conditions, enterprises may promote the application of unified planning, optimization methods, market forecasting, business policymaking, target management, systems engineering and value engineering. They should integrate study with creation, continue to raise their standards and open up a new road of modern management with Chinese characteristics. "Five-good" enterprises which have made efforts to reach the criteria for "six-good" enterprises should be given such a title.

ECONOMIC MANAGEMENT

SEVERAL ISSUES ON IMPROVING ENTERPRISE MANAGEMENT

Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] No 9, 5 Sep 83 pp 9-12

[Article by Wang Daming [3769 1129 2494]: "Several Issues on Strengthening and Improving the Management of Industrial Enterprises in Beijing"]

[Text] I have recently studied and pondered some issues on strengthening and improving the management of industrial enterprises in light of the actual conditions of industries in Beijing. I will now state some of my views.

I. Importance and Urgency of Strengthening Enterprise Management

After the recuperative consolidation during the period of learning from Daqing and the constructive consolidation during the last 1 or 2 years, most industrial enterprises in Beijing have restored and strengthened the order of production management and raised enterprise management to a new level. Some enterprises have made a new invention in the reform of economic systems and helpful approach to scientific and modernized management. A few advanced enterprises headed by the Shoudu Iron and Steel Co have made new advances in exploring the road of scientific and modernized management with Chinese characteristics. However, judged from the situations of most enterprises, the management level is still low. Many medium and small enterprises have not firmly established the idea that management is a science. Their management is essentially based on experiences. Even some of those enterprises which have been checked and accepted after consolidation still lag behind advanced enterprises in foreign countries in regard to economic results, work efficiency and labor productivity. In case of changes in market needs, our information feedback is still slow and our ability to handle emergency situations is still poor. We have not been able to produce a number of hot-selling goods that hold the lead in the competition in domestic and international markets.

Comrade Ziyang recently said that our industry is facing a serious challenge. Our enterprises are now relying on low-priced raw and processed materials and cheap labor to compensate for their backward management. He suggested that from now on we should give impetus to enterprises, impose pressure on them and consolidate and reorganize them. Of course, there are also some irrational external issues which should be solved at the same time. But the internal management of our enterprises must be improved. Money-losing, poor-quality enterprises must be resolutely closed or retooled.

Comrade Ziyang's directive fully conforms to the actual situation of industries in Beijing. Since 1981, we have witnessed price hikes of raw and processed materials, price reductions on finished products, industrial readjustment, market changes and situations in which some products were unmarketable and some enterprises suffered from higher cost of production and lower profits. We must realize that there is a serious crisis and that there is only way out; that is to conscientiously improve enterprise management. In other words, we should start from within, tap potential, lower costs and consumption in production, develop new varieties and increase economic results. Only by doing so can we find a way out. Only when enterprise management is better and economic results are really improved will there be a prosperous economy and the four modernizations. This is why improving enterprise management is so important and so urgent.

II. All For the Purpose of Economic Results

There is only one purpose for us to emphasize the need to strengthen enterprise management, consolidate enterprises and march toward the "six-good" enterprises and to study and analyze foreign experiences of scientific management: that is to improve the economic results of our enterprises. There is also only one criterion for judging whether a management method is advanced and effective: that is to determine whether it can improve the economic results of enterprises. It is the plant managers' duty to adopt various advanced and scientific management methods and means to make all staff and workers show concern for and strive to improve the economic results of their plants. One of the valuable experiences gained by the Shoudu Iron and Steel Plant is to ensure that everyone in the company is engaged in financial management and everyone is concerned with economic results. Thanks to this experience, they have guaranteed substantial improvement in their economic results under the situation of reduced and restricted production. If all industrial enterprises in Beijing had improved their economic results they way the Shoudu Iron and Steel Co did, our financial situation would have been much better. All are for the purpose of improving economic results. This is our very basic starting point in discussing the issue of enterprise management.

III. On Studying Foreign Experiences of Scientific Management

In order to improve enterprise management and raise our technical level, we should be good at absorbing all achievements available on earth and make them serve our purpose. In the past few years, industrial enterprises in Beijing have studied, applied and promoted foreign experiences of advanced management while carrying out enterprise consolidation and have achieved some good results. However, some of our cadres think there is no need to study foreign experiences before we study our own well. Some even consider foreign enterprise management capitalist stuff. We should educate our cadres to understand that because science is developing, the world is advancing and market competition is very intense, we need profound knowledge of scientific management to manage an enterprise well, bring into play economic results and enable our products to exist and develop on domestic and international markets. If our cadres fail to understand this point and rouse themselves to catch up with

others, fail to concentrate on study and completely free themselves from the yoke of conventional management ideas, we will eventually fall behind and even be abandoned by the times. This is the law of objective development which will not be changed by man's will.

Of course, any foreign experience must be studied in light of our actual conditions. The correct attitude is what Comrade Yuan Baohua [5913 1405 5478] said: "Take the initiative in our own hands, gather all good points of others, mix them up and refine them into something of our own." We should consider this as our firm principle for studying all foreign scientific experiences. Besides, I think we should at least pay attention to the following aspects:

1. Our socialist enterprises are based on a planned economy. When making decisions, we must consider the overall situation of socialism and the situation as a whole, pay attention to the overall interests of the state, properly handle the relations between the state, the collective and the individual while distributing profits and pay attention to the influence of our decisions on neighboring units. These are important realities.
2. The leadership system of our plants is based on leadership of party committees, direction of plant managers and democratic management of the masses. We should consider party leadership in work, strengthen ideological and political work, pay attention to following the mass line and practice democratic management. These are also realities.
3. Full consideration should be given to existing cultural and technical levels of our cadres and workers and technical and managerial levels of enterprise production. Considering our existing foundations does not mean accommodating them. It means improving them.
4. Consideration should be given to restrictions imposed on enterprises by some state systems and policies now in effect. We should have the spirit of reform and be good at utilizing positive factors. We should gradually improve our backward situation, rather than accommodate it.

IV. Be a Manager of Strategy or a Manager of Tactics

Thanks to the practice of market regulation and the expansion of enterprise autonomy under the guidance of a planned economy, many enterprises have changed from an executive type to a decisionmaking type. If an enterprise fails in strategy, it will not gain good economic results even if it works harder and redoubles its efforts on tactics. A successful strategy is the primary reason why some enterprises in Beijing have substantially improved their economic results and survived in intense competition in the past few years. To be a real manager of strategy, I think one must pay attention to the following tasks:

1. Establish a healthy sequence of work in plants. A good plant manager should learn to establish a normal sequence of work. He should not constantly interfere with work that has been assigned to somebody else. He should not bother with things that can be taken care of by deputy managers. He should learn to distinguish between first and second lines and let those deputy managers, engineers and section chiefs stay on the first line. He and his brain trust stay on the second line and concentrate their energy on pondering strategic issues.

2. A plant manager should know how things stand when working on strategic issues. He should have a profound understanding of the situations in his plants and be good at catching major contradictions at his plants. Then he should organize forces to discuss countermeasures to solve these contradictions.

3. Plant managers should be sagacious and resolute and dare to proceed from the reality. To be really sagacious and resolute, one must learn to refrain from the practice of "what I say goes" and heed different opinions. Only by doing so can he keep a cool head while considering strategic issues.

V. Never Forget the Building of Leading Bodies and the Workers Contingent

Personnel building is a basis for the advance, struggle and development of enterprises. Many comrades contend that enterprise management should be switched from managing materials to managing persons. As far as I am concerned, an outstanding enterprise must be a distinguished collective of a galaxy of talents who are superior both technically and politically. Enterprise competition is first of all a competition of personnel. To a certain degree, it is also a competition of plant managers' intelligence and organizing ability. Therefore, it is necessary to start with improving the quality of personnel in practicing modernized management.

Daqing once summed up rich experiences in regard to how to do a good job in personnel building and personnel management of enterprises. I think many of Daqing's experiences in this regard are still useful, such as "grasping the leading body and guiding the workers contingent," "the three honests and four stricts" and the "building of the contingent's work style." I would like to elaborate some on this issue:

1. Whenever we discuss any economic, production, technical and management problems, we must not forget that we should first do a good job in personnel work.

2. At present, our biggest problem in political work is that we are afraid to make strict demands. We want to be good persons, are afraid of offending people and try to seek good relations with all at the expense of principle, thus seriously weakening the fighting capacity of the workers contingent. Therefore, the only key to doing a good job in contingent building is that enterprise leaders must be able to make strict demands. If they are afraid to do this, all other things will become empty talk.

3. We must do a good job in personnel work and know how to make use of people. Chairman Mao said that we should know our subordinates well enough to assign them jobs commensurate with their abilities. Comrades of the Ninth Component Plant pointed out that in order to develop enterprises, we should concentrate on bringing into play the good points of our cadres and not be excessively critical about their shortcomings. We should remember their merits, forget their weaknesses, forgive them their mistakes and bring into play their talents. This is a good point of view. If a manager knows how to use people, capable people will come swarming; as the saying goes "talents are always surrounded by talents." If plant leaders do not cherish talented people but resent them, they will be in big trouble. Because they will never be able to run their enterprises well. Successful enterprises all have a number of talented people.

4. As the head of a plant, a manager must constantly study in order to manage his subordinates well. He should realize that the situation is developing, technology is advancing, knowledge needs to be updated, the market situation is changing continuously, competition is becoming more intense, and that he may fall behind even at the slightest relaxation. Therefore, a good plant manager should be good at learning new things, exploring new issues, finding new gaps, setting new fighting goals and continuously advancing.

VI. Eliminating Egalitarianism, Implementing the Principle of to Each According to His Work and Arousing Cadre and Worker Enthusiasm Are Still Main Tasks for Most Enterprises in Doing a Good Job in Management.

The detrimental effects on enterprises and ideological influence among cadres and workers caused by several decades of "eating from the same big pot" and egalitarianism are extremely serious. If we fail to solve this problem, all scientific management will become empty talk. On the basis of solving this problem, application of various methods of scientific management will gain twice the result with half the effort. Of course, the methods and means of scientific management can be conducive to solving the problem of to each according to his work. While practicing the so-called to each according to his work, we should first have effective statistics and supervision of labor. Without quantitative statistics and supervision of labor, it will be very difficult to practice to each according to his work.

VII. On the Organization Reform of Enterprises

To manage enterprises in a scientific way, we must solve the problem of establishing organs. I believe that organs are established to accomplish or take up certain tasks. Therefore, we should not confine ourselves to any set patterns, mechanically reduce the number of organs or merge them, or blindly increase the number of organs or establish new ones. We should proceed from improving economic results and streamline and establish organs in light of the needs of our work and duties. While actually establishing organs, I emphasize one principle: that responsibility, power and interest must coincide. When you impose certain responsibilities on an organ, you should give it certain definite powers and definite economic interests. On the principle that responsibility, power and interest coincide, we should strive to use minimum labor to achieve maximum efficiency and guarantee a streamlined administration.

VIII. Formulate Correct Policies and Measures To Promote the Improvement and Upgrading of Enterprise Management and the Practice of Scientific and Modernized Enterprise Management

At present, I think the following tasks must be done: 1) Do a good job in enterprise consolidation and create more "six-good" enterprises. We should concentrate on formulating some policies and combining scientific management, enterprise consolidation and efforts to create "six-good" enterprises to promote our work and management. 2) Take advantage of the fact that there are many institutions of higher education and scientific research institutes in Beijing and bring into play the functions of enterprise management associations and training centers, vigorously promote knowledge of enterprise

management and make everyone study beginning with A-B-C. We should establish a common practice of studying advanced management to make our plant managers feel they cannot hold their jobs if they do not learn new things. 3) Formulate some policies conducive to promoting modernization of enterprise management. For example, we should establish such technical titles as high-level management engineers to raise the social status of managerial personnel and attract talented persons to the management field. We should include the purchase of electronic computers in the items of technical transformation and open up and control the resources of funds for technical transformation. 4) Leading organs should give specific instructions on working methods and guiding principles, give enterprise cadres more time to manage internal affairs of enterprises and reduce their responsibility to attend meetings. We should expand the decisionmaking power of enterprises in management and create conditions in all fields to promote the improvement of enterprise management.

12302
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FINANCE AND BANKING

NEW METHODS OF FINANCIAL CREDIT EXAMINED

Montreal CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in Chinese No 9,
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[Article by Liu Li-xin and Tian Chun-sheng: "On the Financial Credit System"]

[Text] 1. Developing the Financial Credit System

Economic development, reform of the economic and financial systems as well as the development of production and the continuing rise in the people's standard of living since the Party's 11th Plenum have caused an important change in the currency and fund distribution system and have produced the following two interrelated phenomena: on the one hand, financial funds are inadequate and cannot support the nation's continually increasing need for funds in priority construction; on the other hand, it is not possible to prevent the dispersion of funds, which causes redundant and uncontrolled construction and which in turn makes it impossible to control the scale of investment in fixed capital. In the past few years, the reasons why energy, transportation etc. have been the weak links in the economy are many, but the deficiency of funds supplied by the state financial system is a very important factor. In 1978, completed installation of electric power generation equipment equalled 5 million kilowatts; because of cutbacks of funds provided for in the state plan, among other reasons, only 2.9 million kilowatts of power were installed in 1982, a drop of 40%. But with this scale of fixed-capital investment occurred the fourth major wave of inflation. In 1982, the increase in investment over the previous year was 17.7 million yuan. It was the largest annual increase of the fourth major wave of inflation. That year, the 84.5-million-yuan fixed-capital investment by units in the system of ownership by the whole people exceeded the nation's capacity. Also, this orientation of investment fund utilization was not in keeping with the requirements of the state plan. In general, there was too much nonproductive construction and construction in the processing industry and also much redundant construction and uncontrolled construction. In 1982, the problems of investment exceeding that stipulated in the plan and dispersed utilization of investment funds were caused mainly by independently raised funds and bank loans.

In the past few years, a portion of the increase in funds raised by bank loans has been used by the Ministry of Finance to make up the deficit and another portion has been used to increase the enterprises' circulating funds. The amount left over is very small, but each individual bank still utilizes accumulated deposits to loan out about 30 billion yuan for fixed-capital investments, while simultaneously considerably increasing the issuing of bank notes. Because the scale of construction is too great, the volume of money in circulation has increased, causing all-around shortages in the supply of building materials and leading to an ever expanding range of negotiated prices. Of those utilizing negotiated prices to buy into building materials, items planned for at the xian level accounted for approximately 80%, while items planned for at the provincial level accounted for about 20%. This has led to the situation wherein what could once be bought for 1 yuan now costs 2 or 3 yuan. The more price negotiation there is, the greater the burden the state financial system must bear, and this has caused many of the budgetary estimates for many construction items to be exceeded. According to the calculations of the state planning officials, of the large and medium items currently under construction, there will be 176 for which actual expenditures exceeded the budgetary estimates by over 10 million yuan. The rate of overspending on these items is over 35.3%. The result of construction items exceeding the budgetary estimates is that the state is forced into increasing investment year after year, the scale of construction is uncontrollable year after year. As a result, the state financial system will probably continue to experience deficits, and increasingly large ones at that. Past experience shows that when the Ministry of Finance runs a deficit, banks print money and prices rise. The present situation is that banks are on the one hand making loans for fixed-capital investments and on the other hand issuing notes (that is, separately from those issued by the Ministry of Economics and the Ministry of Finance) which both contribute to price increases and financial deficits. This problem should be a matter of concern for all.

In order to change this situation, the nation is already adopting measures designed to avoid, as far as possible, negative effects on the national economy caused by the dispersed utilization of funds. These measures include: the issuing of treasury bonds; the raising of funds from outside the budget for the priority energy and transportation construction; utilization of foreign capital by the state on the basis of centralized control over borrowing and repayment; joint investment; trying commodity out sales stands; the borrowing of funds from local financial sources by the central financial system, etc.

Except for a minority which utilize administrative methods of compulsory collection, most of the abovementioned ways of raising funds utilize economic methods. They are essentially central financial loans from local-, sector-, enterprise- and individual-level financial entities. The funds borrowed are to be paid back after a fixed period and therefore actually constitute borrowing. This kind of borrowing is financially organized. It can therefore be defined as a financial credit system. These conditions illustrate that conditions are basically ripe in this country for the establishment of a financial credit system.

Implementing the methods of raising funds comprising the abovementioned credit system would to a great extent mitigate the negative effects produced by dispersed utilization of funds. Because this system has not been in effect for long, however, it is still insufficient to supply the needs of the nation for raising necessary construction funds. The present situation is that there is no control over the scale of investment, there is redundant construction and uncontrolled construction, and the insufficiency of state priority construction items proves this point. It is therefore necessary to do some research on how to develop, perfect and strengthen the financial credit system and make it contribute to the solution of the current problems of raising funds and ensuring priority construction and priority technological reform. In the long run, it is an important item in the work of socialist financial participation in the distribution of social products and the organization of the nation's economic life.

2. The Characteristics of the Financial Credit System

Concerning the currently implemented financial credit system and the requirements for its future development and perfection, our socialist financial system should have the following characteristics:

- 1) Financial credit is the adoption by state finance of credit methods to raise funds. It is not the same as state budgetary revenue. State budgetary revenue derives from net national income. The financial system, in adopting non-interest means of raising funds, changes the rights of use and also the rights of ownership of the funds (as far as the individual accounting units of the system of ownership by the whole people are concerned). Funds raised by the financial credit system, however, derive from that part of net national income left over in individual economic entities after the initial distribution of funds from the unused funds after passing through the process of circulation of production and also those funds raised from the personal savings of rural and city people. Because the rights of ownership of these funds belong to each economic entity or individual, respectively, not only must funds raised through the financial credit system earn interest, but their eventual return must also be guaranteed. Financial credit changes the right to use these funds but not the rights of ownership.
- 2) Funds raised through the financial credit system should mainly be used in fixed-capital investment. In principle, we should adopt the credit method of paying back what is borrowed and should change the former method of state investment through the fund allocation system in which "all eat from the same big pot." Instead, we should fully utilize credit, interest rates, tax revenue, prices and other economic tools to further the rapid and economical development of construction. As for those construction items and technological reform items which, from a macroeconomic standpoint, are efficient but because of the irrational price structure etc. produce less than ideal results from the microeconomic standpoint, they can be supported by low-interest loans, or the method of financial budgetary allocation to supply a portion or all of the construction funds can be utilized. The financial credit system's revenues and expenditures are

composed of principal and interest, and in principle should be kept in balance. If, for the sake of improving the macroeconomic results, implementation of a low-interest policy produces an imbalance between revenue and expenditures, subsidies should be provided by state finance from the budget in order to ensure that the financial credit system is able to obtain a continuous supply of funds and ensure that the financial credit funds are kept intact.

3) Distribution of financial credit funds by construction banks. The Ministry of Finance utilizes credit methods to distribute funds, but the Ministry of Finance itself does not possess the means for issuing credit or of liquidation, payment etc.. so construction banks with the dual functions of financing and banking will implement the administration of revenue, expenditures and liquidation under the guidance of the Ministry of Finance. On the one hand, construction banks perform financial functions and, under the direct guidance of the Ministry of Finance distribute financial credit funds according to the state plan for fixed capital investment. On the other hand, they perform the function of utilizing and bringing the tools of credit, interest rates, liquidation and other economic measures into play and supervise the rational utilization of financial credit funds. The financial credit funds accumulated by the Ministry of Finance can be allocated to construction banks to serve as credit funds. The credit funds of the construction banks can be either increased or decreased in compliance with the volume of funds accumulated by the Ministry of Finance and the change in volume of the repayed loans. Construction banks should pass on the major portion or all of the interest derived from lending out financial credit funds to the Ministry of Finance.

4) In using Ministry of Finance credit funds to make loans, the principle of guidance by plan should be followed. The distribution of Ministry of Finance credit funds is the same as the distribution of the Ministry of Finance's other funds in that both must be in accordance with the state plan. Those construction banks acting as the actual managers of the funds must continue to carry on the fine tradition of state planning. The supply of funds for the items in the plan must be ensured. Expenditures for items not included in the plan must be resolutely eliminated. The implementation of this financial credit system increases the economic responsibilities of the construction banks. Construction banks must not only lend out funds according to the plan but also be responsible for the recovery of funds. This impels them to increase the scientific quality of the examination of the economic efficiency of loan items, and produces the important result of allowing the construction banks to supplement the insufficiencies of the plan.

The above characteristics can be summarized as having the following qualities of being planned, administered, interest bearing and sufficient to supply needs.

3. Ways of Developing the Financial Credit System.

Taking these characteristics as a starting point, and in addition to developing and expanding the presently implemented state credit system, the following methods may be tried out:

1) Raising funds from banks by the Ministry of Finance. Banks are the center of liquidation for the nation. The various types of funds of all economic, administrative and other units, with the exception of cash reserves, are all concentrated in banks. The funds deposited in the various specialized banks ultimately are centrally deposited in the People's Bank. Of the money income of urban and rural residents, a great proportion is deposited in the People's Bank (or the Agriculture Bank), except for a small amount which is kept as cash. The savings deposits pulled in by the People's Bank are used to help balance the budget and make up the difference between society's purchasing power and the supply of goods. In the event that there are still some surplus savings (unplanned deposits should be avoided), they can be differentiated according to their type, that is, short-term and long-term funds. Short-term funds are used directly by the People's Bank to supply the need for short-term funds. As for long-term funds, that portion supplementing the quota of circulating funds should first be set aside and the circulating funds of the enterprises should be managed by the People's Bank alone. Long-term funds left over after supplementing the quota of circulating funds should be lent to the Ministry of Finance and be utilized by state planning and economic officials in priority construction and technological reform. Another possibility is that all the long-term funds could be lent to the Ministry of Finance by the People's Bank, and the Ministry of Finance could then allocate the portion supplementing the quota of circulating funds bank to the People's Bank. These actions are in order to maintain the traditional method of allocating funds from the Ministry of Finance for the quota of circulating funds and allocating funds from the People's Bank for that portion exceeding the quota of circulating funds.

In essence, this method if implemented just by lending the funds used by individual banks to make fixed-capital investment fund loans to the Ministry of Finance and then through the Ministry of Finance financial system and the national economic plan, thus utilizing them in centrally planned fixed-capital investment. This method is advantageous in exposing contradictions; achieving over-all balance in financial credit, concurrent construction and replacement; strengthening planning; cutting back on uncontrolled construction; and raising the efficiency of investment.

2) Raising funds through the postal savings system. Presently, the amount of cash kept by urban and rural residents is relatively large, so it is impossible to bring in enough savings in a timely manner. One of the main reasons is the small number of savings bank branches. The rural areas especially should bring the predominant position of the widespread postal system into play and send the postmen into the countryside to handle the tasks involved in encouraging savings deposits as a convenience for the

people, and mobilize the pocket cash of the people to serve the cause of construction. Savings deposit funds brought in by the postal system should be promptly passed on to the Ministry of Finance to serve as a fixed source of financial credit funds. In order to encourage the enthusiasm of the postal system for collecting funds, the state could stipulate that a fixed proportion of these funds be utilized for postal and telecommunications construction, in order to rectify the situation wherein postal and telecommunications facilities lag behind the needs of the developing national economy.

3) Raising funds through insurance. The property insurance premiums of the enterprise units are a form of transformed profit. In the past, insurance premiums were regarded as a revenue item in the Ministry of Finance budget. This is in accordance with Marxist theory and is correct. Under the present system, insurance premiums should be lent to the Ministry of Finance on an interest-earning basis and should serve as one of the fixed sources of financial credit funds. The insurance premiums of citizens are a form of transformed wage and other income. Although they do not constitute the value of surplus product, this portion of wage and other income in actuality is immediately transformed into a kind of accumulation fund when the insurance premiums are paid. These funds can be collected and used by the financial credit system.

4) In addition to the abovementioned channels, the presently implemented method of issuing treasury bonds could, after the financial deficit is eliminated, be combined with the methods of fund collection for priority construction of energy and transportation, forming a system in which special construction bonds would be issued. Joint investment, sales fairs and other methods should also be strenuously promoted. An appropriate increase in foreign investment, under the preconditions of equality and mutual benefit, can also be a path to solving the problem of the insufficiency of funds for state priority construction.

The implementation of the above financial credit system would facilitate the achievement of an overall balance in the national economy by using financial resources. It would facilitate the mobilization of dispersed social funds and their concentration and utilization in state priority construction and at the same time could prevent the uncontrolled and redundant construction caused by the dispersal of fixed-investment funds and prevent the scale of investment from getting out of control. It would facilitate the implementation of low- or high-interest rate policies, based on state policy and the actual conditions of construction items, in order to support and promote growth in the state's urgently needed items and limit volatile growth in those items which are not urgently needed. It would facilitate control of the scale of fixed-capital investment and regulate the orientation of investment. It would also facilitate the full utilization of the experience of the specialized banks in managing fixed-capital investment.

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FINANCE AND BANKING

INSPECTION OF TAX COLLECTION IN LIAONING REPORTED

Beijing JINGJI RIBAO in Chinese 6 Sep 83 p 1

[Report: "Liaoning Province Unfolds General Checkup of Tax Collection, Stops up Loopholes and Strives to Collect 100 Million Yuan of Taxes Above Quota"]

[Text] Recently, the Liaoning Provincial People's Government decided to launch a general checkup of tax collection throughout the province, stop up loopholes and strive to collect 100 million yuan of taxes above quota for the entire year. At present, many cities and counties have already launched checkups and collection of overdue taxes.

In the first half of this year, the tax department of Liaoning Province examined 85,000 taxpaying enterprises. More than 20,000 have evaded taxes, with a total of over 23 million yuan. About two-thirds of the taxes from the trade fairs and individual households were not paid. For instance, in the livestock business tax, more than 80 percent of the businesses done by the 260 livestock markets throughout the province was done outside the markets, which meant that more than 80 percent of the livestock business taxes was evaded. In an investigation by the tax departments on the 15 individual households in Liaozhong County that were in the clothing processing industry, the reported amount from January to March this year was 56,400 yuan. But the actual amount of business was 223,400 yuan. The concealed business amount was 74.7 percent. On the average, each household evaded more than 300 yuan in tax. The loopholes in rural taxation are also big. More than 20 million yuan in industrial and commercial taxes was not reported by the small breweries, small saltfields and small tobacco plants. There were more than 1,400 small breweries throughout the province. The majority of them had not paid the stipulated taxes. The nine small breweries under the Xifo and Huangshatuozzi Communes in Taian County should have paid 100,000 yuan of industrial and commercial taxes from last June to this May. But they only paid 5,400 yuan in reality. The statistics by the provincial tax departments show that about 100 million yuan of taxes was evaded throughout the province.

In June this year, the Liaoning Provincial People's Government asked the government at various levels to strengthen management over collection of miscellaneous taxes and unfold checkups. Some localities have actively mobilized. Heishan, Beizhen and Kaiyuan countires have emphasized the

checkup and payment of overdue livestock business taxes. The statistics of nine counties show that, in just 3 months, more than 1.8 million yuan of overdue taxes was paid. Recently, the provincial people's government sent urgent telegrams to the various localities, asking that, as of September, they must emphasize the work of tax examination in the last 4 months of this year, resolutely stop up loopholes and ensure the collection of 100 million yuan above quota this year.

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FINANCE AND BANKING

JILIN HOLDS CONFERENCE ON FINANCIAL INSPECTION

SK040451 Changchun Jilin Provincial Service in Mandarin 2200 GMT 3 Dec 83

[Text] On the evening of 3 December, the provincial people's government held a telephone conference on generally inspecting the financial work to urge all localities and departments to further attend to the work so as to deeply and thoroughly achieve the work, and not to do it as mere formality.

Deputy Governor Huo Mingguang made a speech at the conference. Responsible comrades of the Siping City Government and the honghua Prefectural Administrative Office introduced the situation in conducting the financial inspection work.

The conference pointed out: Since conducting the general inspection of the financial work in September, all localities and departments across the province have paid attention to and taken comparatively rapid action to do the work. Certain achievements have been made in it.

As of the end of November, 7,136 enterprises, and administrative establishments and units across the province had conducted self-inspection, and investigated over 23.96 million yuan gained by violation of discipline, of which, 3.68 million yuan had been handed over to the state. However, there is imbalance in the work. Some localities and units failed to conduct the inspection work carefully, completely, deeply and thoroughly. A situation exists in which the pace of inspection they lag behind and they do the inspection work as mere formality, exists.

In order to further firmly achieve the financial inspection work, the conference urged leaders at all levels across the province to have full understanding of the importance and necessities of the general inspection of the financial work. We should closely link this work with that of party rectification. Efforts must be made to continue to conduct the work in a comprehensive manner. Strength must be organized to conduct the work well. With regard to key units and important problems, we should make efforts to clearly conduct the work. On the premise of clearly understanding the facts, and in line with relevant policy and regulations of the state, we must strictly handle the investigated cases. Never should we let the units and individuals that violated financial and economic discipline gain extra profits by unfair means.

The conference urged financial, tax and audit departments, banks, economic committees, and departments in charge of enterprises and establishments at all levels to closely cooperate with each other to accomplish the work.

FINANCE AND BANKING

JIANGSU'S RURAL CASH INCOME INCREASES

Nanjing XINHUA RIBAO in Chinese 19 Aug 83 p 1

[Text] A survey of the Jiangsu Provincial Statistics Bureau on the financial situation of 3,700 peasant families in 325 survey points of 59 counties and cities shows: In the first half of 1983, the per capita cash income of peasants in Jiangsu Province was 139.6 yuan, an increase of 27.7 percent over the corresponding period of 1982. In Huaiyang city, where income was relatively low, according to the survey of 700 families, the peasant per capita cash income still reached 106.6 yuan.

The main reasons for this increase are as follows: 1) Income from collective businesses was increased. In the first 6 months, peasants' cash income from collectives increased 14.3 percent as compared to that of the same period of 1982. 2) Income from selling agricultural products was increased. In the first 6 months, peasants' income from selling grain, rapeseed and other agricultural products nearly doubled that of the same period of 1982. On average, every household sold 300 jin of grain, an increase of 2.4 times over that of the same period of 1982. 3) Income from household sideline production was increased. In the first 6 months, the volume of commodities supplied by peasant families engaged in sideline production was substantially increased. Among the households being surveyed, on average every 100 households sold 100 hogs and 90 domestic fowl, an increase of 20 hogs and 30 domestic fowl as compared to that of the same period of 1982. At the same time, peasants increased their income by opening up all avenues for production. In the first 6 months, the peasant per capita income from engaging in various sideline occupations was 51.9 yuan (not including income from selling agricultural products such as grain and vegetables), an increase of nearly 20 percent over that of the same period of 1982.

Findings of the survey show: As peasants' cash income rose by a relatively large margin, a new situation occurred in their cash spending. Compared with 1982, the spending of peasants on means of production increased 73.7 percent, which constitutes the greatest increase in value as well as in percentage among all items of expenditures in the first half of 1983.

12302
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FINANCE AND BANKING

BRIEFS

HEILONGJIANG TAX EVASION--As of 20 November, Harbin City, Heilongjiang Province, had uncovered 8.14 million yuan of tax evasion from enterprises. About 1.939 million yuan of evaded taxes have been repaid so far. [Excerpt] [Harbin Heilongjiang Provincial Service in Mandarin 2300 GMT 2 Dec 83 SK]

GUIZHOU TAX INSPECTION--Guizhou Province has smoothly carried out a large-scale inspection of taxes. According to statistics, by the beginning of November, the province had found taxes evaded and taxes in arrears totaling 11.23 million yuan. [Summary] [HK061326 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 4 Dec 83]

YUNNAN REDUCING DEFICITS CIRCULAR--The Yunnan provincial economic committee and the provincial financial department recently issued a circular, which demands that in the course of reducing deficits and increasing surpluses, attention should be paid to the prevention of practicing fraud and to the prevention of the situation of false surpluses but genuine deficits. The circular says that from the second half of this year, the province made preliminary achievements in reducing deficits and increasing surpluses. Since October, the amount of industrial output value, income from sales, profits, and profits submitted to the state has increased and deficits have been reduced gradually. If the province persistently works hard, it will surely overfulfill the state quota for reducing deficits this year. The circular emphatically points out that in reducing deficits and increasing surpluses, it is necessary to improve the quality of enterprises, strengthen management, improve the quality of products, and reduce consumption and costs. It is imperative not to practice fraud and not to allow a situation to emerge of false surpluses but genuine deficits. The circular demands that all places do well in the large-scale inspection of finances and in reducing deficits and increasing surpluses. [Summary] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 4 Dec 83 HK]

HUNAN TAX MANAGEMENT--since the beginning of the second half of this year, all places in Hunan Province have strengthened the management of the taxes of individual industrial and commercial undertakings. From January to October this year, the province collected 77.58 million yuan in taxes from individual industrial and commercial undertakings. [Summary] [Changsha Hunan Provincial Service in Mandarin 2310 GMT 29 Nov 83 HK]

COMMERCIAL LOAN TERMS TIGHTENED--Recently, the China Agricultural Bank decided that, while enhancing the development of collective and individual commerce, the rural banking departments in various localities must make use of such measures as loans and accounting to strengthen their supervision and management over the latter. No loans will be granted for the following acts: 1) to collective and individual commercial units that carry out transportation for sales before they have fulfilled their delivery of agricultural by-products to the state, thereby practically and realistically prevent the use of loans to scramble for the commodities in high demand of the state-run commerce and supply and marketing cooperatives; 2) for the fraudulent purchase of commodities in high demand to resell them at high prices and disturb the market; 3) for such acts as driving up commodity prices, repurchasing and reselling at a profit, passing inferior-grade commodities for high-grade commodities, practicing fraud, doing shoddy work and using inferior material and short changing customers. [Text] [Beijing JINGJI RIBAO in Chinese 31 Aug 83 p 1] 9335

CSO: 4006/028

INDUSTRY

BRIEFS

XIZANG HANDICRAFTS--Lhasa, 3 Dec (XINHUA)--Handicraft factories and workshops in Lhasa, capital of Tibet, produced more and better goods this year to meet growing local demand, according to officials here. This year, however, 80 percent of Lhasa's production--some one million articles, a 76 percent increase over last year--are in medium and high grade brackets. Local people can afford more and more expensive goods, the officials said. There are 39 state and collectively owned handicraft factories in Lhasa, in addition to over 300 privately-run workshops. Their gross output accounted for about 55 percent of the autonomous region's total handicraft output value. The more than 1,200 varieties of goods they offered included carpets, Tibetan ornamental swords, gold and silver ornaments, Tibetan-style furniture, garments, Buddha statues and wooden bowls. [Excerpts] [Beijing XINHUA in English 1030 GMT 3 Dec 83 OW]

CARBON DISULFIDE CRUCIBLES--Changsha, 1 December (XINHUA)--China is now able to make carbon disulfide crucibles, used as containers for melting metals at high temperatures in the laboratory, according to a recent appraisal meeting here. Scientists from iron and steel research institutions under the Ministry of Metallurgical Industry at the meeting said tests show the crucible can withstand temperatures as high as 1,400 degrees celsius. China used to import such crucibles. The Chashan Porcelain Plant in Liling, Hunan Province, started research on the product in 1975. [Text] [OW011140 Beijing XINHUA in English 0252 GMT 1 Dec 83]

CSO: 4010/19

CONSTRUCTION

OFFICIALS 'TO BE HELD RESPONSIBLE' FOR CONSTRUCTION

OW190450 Beijing XINHUA in English 0250 GMT 19 Nov 83

[Text] Beijing, November 19 (XINHUA)--China's State Council has warned that leading central and local officials will be held responsible if they fail to maintain controls on capital construction this year.

In a circular just issued, the State Council said achievements had been made in most areas since July, when it called for stringent checks on capital projects to avoid imbalances in the economy. But some projects earlier canceled or postponed were still being carried out secretly, it added.

Over 5,300 capital construction projects were canceled in 1983, according to a report by the State Planning Commission. By the end of September, there were 2,100 fewer projects underway than at the same time a year ago. The commission said 16 provinces, municipalities and autonomous regions succeeded in bringing their capital construction within limits set by the state. Five provinces had great difficulty in the process, while seven more provinces and one autonomous region were barely able to fulfill their tasks and asked for more funds, it added.

The commission also called for further efforts to curb runaway building. From now on, it said, the power to arrange capital construction projects--including those to be built with local funds--will be held by central, provincial, municipal and regional governments.

Projects carried out under special allocations will be arranged by the commission and checked by the departments concerned. Officials who secretly continue canceled or postponed capital works will be disciplined. Governors, ministers and bank officials involved in the projects will be held responsible when capital construction violates the state plan, the report added.

The progress of projects within the state plan must be guaranteed, the commission said, including key projects and those which are planned to go into operation.

CSO: 4 20/042

CONSTRUCTION

BRIEFS

NO NEW CONSTRUCTION IN LUSHAN--Beijing, November 29 (XINHUA)--No new houses are allowed to be built on scenic Lushan Mountain in Jiangxi Province, the general offices of the Chinese Communist Party Central Committee and the State Council said today. In a circular just issued, the offices called for a halt to all construction now underway, and unified management of buildings and organizations on the mountain by the provincial government. The circular urged the provincial government to send a special group to the mountain to oversee the building stoppage. Unauthorized building of rest homes and houses has caused serious water and air pollution on the mountain in recent years.
[Text] [OW290458 Beijing XINHUA in English 0318 GMT 29 Nov 83]

CSO: 4020/042

DOMESTIC TRADE

MARKET SITUATION, PROBLEMS IN NINGXIA

Yinchuan NINGXIA RIBAO in Chinese '83 Aug 83 p 2

[Investigation report by Jiang Aili [1203 1947 7787]: "Market Situation and Problems in Ningxia in the First Half of 1983"]

[Text] In the first half of 1983, the economic situation in Ningxia was very good. The market was brisk. Purchases and sales both were prosperous. According to statistics, in the first half of 1983, retail sales of social commodities in the region increased 29.9 percent compared with the same period of 1982, outpacing the growth rate of the previous 2 years. Means of production for rural use such as chemical fertilizer, pesticides, pesticide appliances, medium-sized and small farm tools and diesel fuel rose 22 percent compared with the same period of 1982. Hardware, nails, lead wire and gasoline rose 8.1 percent. Meat, poultry, eggs, sugar, cigarettes and wine all showed some increases. Wool fabric, chemical fiber fabric, silks and satins and leather shoes were in great demand. Bicycles and television sets showed a continuous increase. Washing machines, radios, recorders and cameras also increased by a large margin.

The main cause of the sales increase is the increase in people's purchasing power in urban and rural areas. Diversified forms of management, multiple channels and fewer links of commodity circulation have further enlivened commodity exchanges between urban and rural areas. However, we should also notice that the product mix on current markets is not compatible with the changing demand of the masses and that the growth rate of popular-brand and good-quality products welcomed by the masses lags far behind the demand.

The masses not only demand more food products, they also demand better quality, prettier packaging, lower prices and better nutrition. Supply of some popular-brand cigarettes and wine still falls short of demand in spite of the price hikes. The standards of the masses for selecting meat products have also become higher. They have begun to purchase more high-protein and low-fat products, processed pork, beef, mutton, poultry, eggs and aquatic products. Their clothing has been gradually developed toward medium- and high-cost products. Demand for chemical fiber fabric, woolen fabric, silks and satins, clothes and leather shoes has become larger and larger. The masses demand that commodities put on markets by commercial departments have greater variety, latest designs and better quality.

As for expensive, durable consumer goods, the masses bought whatever was available in the past. Now they will not buy anything that is not of good quality, latest design, popular brand and reasonable price or if it is not urgently needed. Products of Shanghai, Tianjin and Beijing are most welcomed by the masses. Demand for popular-brand bicycles and sewing machines is on the rise. Many peasant families now have television sets.

The masses are waiting to buy not only popular-brand black-and-white televisions sets such as Feiyue, Kaige and Songxia, but also color television sets. The prominent problem now is a shortage of supply. Various disc, portable and stereo radio-recorders have gradually replaced transistor radios. Inexpensive electronic wristwatches have gradually replaced regular medium-cost wristwatches. But small transistor radios of relatively good quality and cheap prices and popular-brand expensive wristwatches and women's wristwatches are still selling well.

Among means of production, the sales volume of chemical fertilizer has been increasing yearly, but the supply is still very limited. The masses demand that the state supply more good quality and highly-efficient chemical fertilizer including nitrogen, potassium, phosphorus, complex fertilizer and diammonium phosphate, less toxic and highly effective pesticides and small and lightweight machinery and tools for farm use. Some peasants are waiting with cash to buy large means of production such as walking tractors and vehicles.

Judged from these situations and the production prospects this year, it is predicted that there will be a bumper harvest of crops, an increase in peasants' income, a wage readjustment of enterprises' staff and workers in urban areas and a great potent purchasing power in urban and rural areas. This year's autumn market is also predicted to be brisker than ever during the peak period. Its characteristics will be an early and vigorous start and a delayed ending. Commercial departments at all levels are now organizing personnel to make inventories, organize supply of goods and make preparations to greet the oncoming peak period of the autumn market. However, judged from the current situations of stocks and manufactured goods distributed to rural areas, some questions still call for the attention of commercial and industrial departments to work out quick solutions.

1. Some of our local products are not competitive in markets, resulting in stockpiling of goods and reduction of sales volume. A few years ago, our textile products were marketable thanks to a sellers' market. In the past 2 years, light and textile industries have been developed substantially throughout the country. Our region is now in a passive position as regards competition because our products lag behind those of other provinces and municipalities in regard to quality, prices and variety. For example, the sales volume of knitting wool and fine wool fabric dropped both inside and outside the region. Cotton yarn, cotton cloth, vinylon and cotton blend and knit underwear are stockpiled. Some of our local cigarettes and wine are poor in quality and high in price. When commercial departments purchase such products, they cannot but sell them at lower prices. In the first half of 1983, the proportion of local products in the entire commercial stock was increasing daily.

Substandard local products stored in the Yinchuan textile product wholesale station alone are worth about 4.52 million yuan, accounting for 55.4 percent of all substandard commodities in stock. The regional foodstuff company has suffered a loss of 320,000 yuan alone from cutting the prices of Lianhua brand local cigarettes. The economic results of both industrial and commercial industries have been affected by the ever-sharpening contradictions between local products and social needs. Commercial departments are afraid to carry local products because of stockpiling and losses. Our local products are now facing a critical situation. How to improve and develop this situation deserves great attention from departments concerned. Specialized studies must be conducted on this issue, and it must not be taken lightly.

2. The product mix of some commodities in stock is not rational and must be readjusted and consolidated to meet the needs of the masses' purchasing power. In the first half of 1983, the sales volume of chemical fiber products was increased by 850,000 meters, or more than 40 percent, as compared to that of last year after their prices were reduced. This was a sudden and drastic change on markets. Many commercial units miscalculated and were unable to handle the emergency situation, causing a stockpiling of pure cotton products which were in less demand and a shortage of chemical fiber products which were in great demand. Some inexpensive quality commodities such as light and multi-colored polyester-cotton prints and gabardine are in relatively short supply. Especially rural supply and marketing cooperatives have a very limited variety and design of chemical fiber products. Because of the limited selection, the masses have to go shopping in urban areas. Commercial departments have a large amount of clothes in stock. But they are not readily marketable because of limited variety, outdated designs and inadequate specifications.

3. Since commercial departments adopted the management responsibility system, some enterprises have developed the tendencies of overemphasizing the pursuit of profits, being afraid of stockpiling but not selling out, stressing goods in large quantity to the neglect of goods in small quantity and stressing commodities in short supply to the neglect of regular commodities. This has also affected the distribution of manufactured goods to rural areas. For instance, at the regional meeting on supplying and marketing knitwear, textile, articles of daily use and stationery for the second half of 1983, the volume of articles of daily use and stationery purchased by third-level commercial units from second-level units only accounted for a half of the sales volume of all localities in the second half of 1983; knitwear and textile only accounted for a third. This has caused problems for second-level wholesale units in making purchasing plans and replenishing stocks, making them unable to function as "reservoirs." The variety of goods carried by grassroots retail units has also been reduced. Second-level wholesale units in the region actually carry nearly 8,000 kinds of products, of which more than 4,000 kinds are articles for daily use. But, rural supply and marketing cooperatives carry over 1,000 kinds at most. Some only carry as few as 500 to 600 kinds. As for commodities needed in the masses' daily life, such as sewing needles, cotton thread, soda ash, various kinds of kneading and chopping boards, food steamers, dish covers, graters, cleaning brushes, black porcelain, covered bowls and decorative metal products, some local stores either do not have them temporarily or only have a few kinds. Some even stopped carrying them a long time ago.

4. Since the management system of "three more and one less" was adopted, the number of business units has been increased, bringing prosperity and vitality to markets. However, some problems have arisen because the management work has not been strengthened accordingly. For example, controls over market prices are in chaos. The same products have different prices. The phenomena that some commercial units and collective and individual retailers exceed their management limits, raised prices arbitrarily, give short measures of weight and engage in adulteration are also relatively serious. Some counterfeit commodities have been put on markets and fooled the masses, causing great dissatisfaction among the masses and adversely affecting commercial credit.

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CSO: 4006/005

DOMESTIC TRADE

CONFERENCE ON PLANNING WORK OF SHANGHAI ECONOMIC ZONE

Shanghai WEN HUI BAO in Chinese 19 Aug 83 p 1

[Text] The First Shanghai Economic Zone Planning Work Conference was held in Shanghai yesterday. Participants at the conference emphatically discussed issues concerning the planning of economic development in the economic zone during the Seventh 5-Year Plan period and long-term plans among departments, between provinces and cities and among provinces, cities and departments; and coordinated major issues in these plans.

This conference was held after numerous investigations and studies. Beginning with this conference, the work focus of the Shanghai Economic Zone will be shifted to zoning and planning of transregional economic zones specialized in different trades and professions. The conference relayed important directives recently issued by Premier Zhao Ziyang of the State Council on such issues as how to do a good job in zoning work and economic integration of the Shanghai Economic Zone.

Hu Ming [7570 2494], deputy director of the Shanghai Economic Zone Planning Office, presided over the conference. Wang Lin [3769 2651], director of the office, spoke at the conference. He said: "In accordance with the fighting goal set forth by the 12th CPC Congress, the zoning plan should embody the spirit of reform, continuously adhere to the principle of readjustment (including closing, suspending, merging and retooling certain enterprises), enable each concerned city to have its own focal points of development, stimulate economic integration, coordinate higher and lower levels and be closely linked to the overall state plan. We should work out a Chinese-style socialist economic management system with rational division of labor between higher and lower levels, close coordination between urban and rural areas and clearly divided authority between government organs and enterprises. We should consider Shanghai as the center of the Shanghai Economic Zone, pay attention to bringing into play its roles as a central city, economic center and harbor city, support its function as the center and increase its attraction. At the same time, we should continuously increase the centripetal force of the other nine cities around Shanghai, utilize their advantages to bring along the development of production forces throughout the economic zone. This is a major guiding ideology for drawing up the zoning plan."

Wang Lin said: "While drawing up the zoning plan, we must consider different salient features and functions of each city. The 10 cities of the economic zone are different in size, but their industrial structures are all based on textile and light industries and they have a very large proportion of processing industries. They should each have their own characteristics, proceed from reality, bring into play their own advantages and determine their own direction of development. Our systems should be conducive to economic integration, and our plans should encourage it. We should support economic integration financially, promote it in policy and protect it with law. The central city must actively and voluntarily do a good job in integration."

In his speech, Wang Lin specifically analyzed the characteristics of the 10 cities and five focal points of zoning work. The five focal points are energy, communications, foreign trade, technical transformation and harnessing of the mouth of the Chang Jiang, the Huang Pu Jiang and the Tai Hu (three harnessings for short). Wang Lin urged this conference to make a good start for formulating a relatively good zoning plan.

Song Jiwen [134 132 2429], adviser of the State Economic Commission, and responsible comrades of concerned committees, departments and general offices of the State Council attended the conference. Wang Daohan [3076 6670 3211], Shanghai mayor; Zhu Zongbao [4281 1350 5508], deputy mayor; Pei Xiabai [5952 0341 4101], adviser of the municipal government; Zhai Wengwu [5049 5040 2976], former deputy governor of Zhenjiang Province; Zhang Qi [1728 1142], chairman of the Zhejiang Provincial Planning Commission; and Tian Lantian [3944 5695 3944], chairman of the Jiangsu Provincial Planning Commission, also attended the conference. Others present at the conference were party and government responsible comrades of Changzhou, Nantong, Wusijiang, Suzhou, Huzhou, Jianxing, Hangzhou, Ningbo and Shaoxing cities. Guo Tixiang [6753 7555 4382], deputy governor of Anhui Province, was also invited to the conference.

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CSO: 4006/005

DOMESTIC TRADE

POLICY TOWARD URBAN INDIVIDUAL ECONOMY DISCUSSED

Guangzhou NANFANG RIBAO in Chinese 26 Sep 83 p 4

[Article by Wang Liwen [3769 0448 2429] and Shen Jicheng [3088 4949 2110]: "The Social Objectivity of the Policy Toward Urban Individual Economy"]

[Text] Since the Third Plenary Session, the party and state have stipulated a series of correct policies to enhance socialist economic construction, including the policy for restoring, supporting and developing urban individual economy. In a short period of a few years, urban individual economy has developed prosperously and has become an important force in the urban economy. There is objective certainty as to how this policy regarding urban individual economy has so swiftly brought about positive social results.

The reason why urban individual economy can achieve results so rapidly is because it corresponds to the objective law that the relations of production must suit the nature of the productive forces. The level of our country's productive forces is relatively low. Our relations of production and superstructure must meet this condition. At present, as well as in the rather long historical period in the future, we must still allow the existence of the various economic components and allow the coexistence of the various systems of ownership. The urban individual industrial and commercial units are necessary supplements of the socialist economy and are necessary component parts of the system of socialist economy. This is the basic reason why the policy regarding urban individual economy is able to develop. This is also the basic indication of the social objectivity of this policy, wherein lies its life force. The existence and development of urban individual economy and the policy regarding individual economy that reflects this objective need are the necessary results of the movement of the unity of opposites of the socialist relations of production and the productive forces in our country.

The implementation of the policy of developing urban individual economy is appropriate to the country's situation and agreeable to the people. Our country is in a state of poverty and need and has a large population. Our country is also a socialist country and must not plunder other countries. Thus, to solve such problems as food, clothing and employment for everyone,

we can only rely on the enthusiasm and creativity of the masses of people and rely on the multilevel and multi-channel mode of economic development. It is not enough to rely solely on the state-run economy and the collective economy. The state cannot run the whole show. This is especially so with regard to commerce and service trades. In light of our country's present level of productive forces, a considerable portion of our commerce and service trades still require manual labor. In the cities, we need a definite quantity of individual handicraft industries, commerce and service trades which will act as supplements to state-run and collective commerce and service trades. In the early days after Liberation, the individual producers who set up their stalls and outlets on streets and alleys and operated their own industry, commerce and service trades in the cities were profoundly welcomed by the masses. In 1955, there were 100,000 individual laborers in Canton Municipality. At that time, from one end of the street to the other, there were all kinds of services that offered convenience to the masses. However, later, we gradually adopted the policy of abolition toward individual economy. During the "Great Proletarian Cultural Revolution," individual economy was chopped off as a capitalist tail. As a result, some folk and traditional technologies were lost, many former individual industrial and commercial workers had difficulty seeking employment and some channels of commodity circulation were blocked off. One may well say that the people could not employ their skills fully and the goods could not circulate smoothly. At the same time, the state-run commerce and service trades could not attend to each and every aspect of the needs of the colorful lives of the masses. A situation in which "there was a great deal of work but nobody to do it and there were many people who had nothing to do" appeared in the cities. The problem of insufficient commercial and service trade network outlets remained unsolved for a long time. Great inconvenience resulted in such aspects as clothing, food, hairdressing and other minor repairs in daily life for the masses, and complaints were quite numerous. The individual laborers who closed down their businesses faced difficulty making a living because the state found it difficult to provide employment for them for a while. Since 1979, the party Central Committee has adopted the policy of restoring and developing individual economy. The urban individual industrial and commercial laborers developed very rapidly. By the end of the first half of this year, more than 40,000 individual households are more than 50,000 individual laborers in the cities and rural areas in Canton have been issued licenses. Among them, there were more than 30,000 urban individual households and more than 38,000 individual laborers. This way, individual economy is not only once again playing the role of supplementing the state-run and collective commerce and service trades, but is also offering convenience to the masses. The problem of employment has basically been solved. Furthermore, it has increased the wealth of society, increased income for the state and vitalized the urban and rural economy. This is a heartening event.

In the last few years, relative stability has been maintained in the policy toward urban individual economy. We should continue to maintain such stability. Since the formulation of the policy regarding individual

economy is determined by the objective demands of society and the wishes of the masses, then, as long as society and the masses need individual economy, we must not easily abandon such a policy. Of course, shortcomings still exist in individual economy. But we should not make a fuss about it. With the development of individual economy, some new problems in such aspects as management, taxation, funds, materials, space, distribution of trades and social organizations will be brought forth and will require continuous resolution in our policy. But doing so is for the purpose of more properly guiding individual economy to develop in a healthy direction.

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CSO: 4006/029

DOMESTIC TRADE

DEVELOPMENT OF RURAL MARKET STRESSED

Beijing JINGJI RIBAO in Chinese 6 Sep 83 p 1

[Report by reporter Duan Fengyu [3008 7685 7183]: "Stress the Development of Rural Markets--Written on the Eve of the Brisk Season of Procurement and Sales in the Rural Areas"]

[Text] Recently, the reporter went news reporting in Heilongjiang Province. Several comrades who were cnolwedgeable about the situation on the rural market reflected a present problem that had a universal character, which was the existence of the tendency of slighting the rural markets.

This problem is very acute and also very important. Of the 1 billion population in our country, 800 million are in the rural areas. How this very broad rural market is arranged is not only an important economic question but is also a political question. The brisk season of procurement and sales in the rural areas will arrive soon. How can we make proper arrangements for the rural markets in the brisk season? The reporter went to some localities in that province to carry out further investigation.

Symptoms of "Keeping Up With the City" Have Appeared

A comrade who had first-hand information said that the peasants are richer now than they were in the past and their demand for commodities is higher. In some places, symptoms of "keeping up with the city" have appeared. Take children's toys for instance, in the past, the children of the rural areas did not have many toys. Now that a couple has only one child, there is greater eagerness to purchase toys, especially purchase medium- and high-grade toys that stimulate the young child's intelligence. However, the rural areas have very few low-grade toys, let alone medium- and high-grade toys. This indicates that, on the one hand, the rural economy has undergone profound changes and purchasing power has gone up by a wide margin; and, on the other hand, the tendency of slighting the rural market does indeed exist. In the first half of this year, the Nunjiang Prefecture sold more than 2,700 washers. The Heitai Supply and Marketing Cooperative in Tishan County brought in 20 color televisions, which were sold out in 2 days. The volume of sales for laundry detergents and soaps in the rural areas in the past was not large. In the first half of this year, the sales volume for

the two throughout the province increased 25 percent and 21 percent respectively over the same period last year. Statistics show that, compared to the same period last year, the commodity retail volume of the cities throughout the province in the first half of this year increased 9 percent, while that of the rural areas increased 12 percent. Forecasts show that the peasants' purchasing power in the latter half of this year will rise by a wide margin. At present, the average money supply that is in the hands of the peasants has almost reached the level of the urban residents. This indicates that the rural areas have considerable potential purchasing power. We should attach adequate weight to this matter of importance that is related to the standard of living of hundreds of millions of peasants and to the market of the broad rural areas where the potentials are very great.

We Must Pay Attention to Guiding Consumption

Now that the peasants have more money in their hands, their psychology of consumption has also undergone definite changes. Analysis of the Heilongjiang Provincial Commercial Department shows that, speaking overall, the whole province has enough consumer products to supply the market during the brisk season. But we must be able to see that, for some commodities, the question is no longer a quantitative one, but a question of whether or not the quality, color and variety and specification satisfy the need. There are many peasants who are waiting to purchase brand-name products. A survey of Mudanjiang Prefecture shows that, on the average, after the fall harvest, 100 peasant households are waiting to purchase 20 watches, 11 bicycles, 6 washers, 4 radio-recorders, and the majority of them are waiting for "brand-name" products. After the fall harvest, 2,000 households of Jiansanjiang Farm wanted to buy color televisions, and most of them also wanted "brand-name" products.

There is shortage of brand-name goods and adequate supply of popular goods of dependable quality. Some people say that this is "a struggle between brand-name goods and goods of an inferior brand." This is a very major contradiction. What should we do? A comrade from Nunjiang Prefecture proposed that we should vigorously give play to the role of the commercial departments in guiding consumption, carry out publicity to the peasants and guide them, and expand the sales of existing commodities. This opinion makes much sense. The so-called popular goods of dependable quality or goods of an inferior brand are not all "devoid of any merit." Through practically and realistically publicizing their superiorities and characteristics, offering guidance in their use and rendering thorough service, the peasants can similarly be attracted to these goods. Furthermore, there is a certain blindness in the peasants who believe in some brand-name goods and this psychology of consumption can also be changed. Thus, we must not fix our eyes on the brand-name goods, but must work hard on the sales of popular goods of dependable quality. This is an important content in the development of the rural market at present.

We Still Need To Further Open Up Channels

The party and government have issued repeated injunctions regarding the opening up of urban and rural circulatory channels. The various localities have adopted certain measures and attained definite results. But some problems still exist. For instance, the phenomenon in which there is stockpiling in the urban wholesale enterprises while there is shortage in the rural areas still exists in some places. The Mishan County Commercial Wholesale Department had many Panda Brand washers, pickles and other commodities in reserve, but the rural areas did not have these goods and the peasants could not purchase them. A responsible comrade of the provincial department in charge of finance and trade said: In some basic level supply and marketing cooperatives, the varieties they handle have been reduced to the extent that there were enough only for sales over the counter. They are at a loss when the brisk season arrives. This situation must be changed.

"We must first supply to the rural areas the industrial products that are needed by both the cities and the rural areas," and "we must vigorously organize industrial products to be sent to the rural areas." The above has been our principle all along and we have emphasized that for many years. Why is it that at present some industrial products simply fail to be sent to the rural areas? There are many reasons for this. We must conscientiously analyze them and solve them as soon as possible.

With regard to the system of management, the primary reason is that the wholesale channel is not smooth and the wholesale network outlets cannot reach the lower level. By the end of June, there were already 5,568 state-run, collective and individual commercial retail network outlets in the rural areas of the 11 counties in Nunjiang Prefecture, which showed an increase of 3.2 times over that of 1978. However, there were only 98 three-level wholesale enterprises of different categories throughout the prefecture, the same number as in 1978. Of these 98, 95 were in the cities and only 3 in the rural market towns. The rural retail outlets generally encounter three difficulties: Difficulty in redeeming coupons, difficulty in picking up goods and difficulty in transportation, posing extreme inconvenience.

In terms of business thinking, we have failed to establish properly the relationship between expanding the sales of industrial products in the rural areas with raising economic results. Some wholesale and retail enterprises actually cut down reserve in a one-sided manner in pursuit of economic results. Others only take into consideration the enterprises and the workers, attach importance to big profits and slight small profits, work vigorously if there is big profit involved, do little work if there is little profit involved, and do nothing if there is no profit involved, neglect the interests of the peasants and affect the overall economic results.

In short, before the arrival of the brisk season in the rural areas, we must be resolute and wage an effort to first of all solve properly the problem of opening up channels and adopt measures to vitalize the rural wholesale business. Then we will have solved half of the problem, and the rural market during the brisk season will be more vigorous and prosperous.

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CSO: 4006/029

DOMESTIC TRADE

BRIEFS

JILIN MARKET TRADE--The total volume of business of urban and rural market trade reaches 380.48 million yuan this year, up 21.8 percent over the corresponding 1982 period. The business of urban and rural market trade corresponds to 6.4 percent of the volume of retail sales of commodities. [Excerpt] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 29 Nov 83 SK]

LIAONING SUPPLY-MARKETING DEPARTMENTS--By the end of October, supply and marketing departments across Liaoning Province had overfulfilled the annual procurement quota. The total procurement value was 640 million yuan, overfulfilling the annual target by 8 percent. [Excerpt] [SK050025 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 30 Nov 83]

SHANXI COMMERCIAL TRANSACTIONS--Shanxi Province's commercial front markedly improved economic results. According to the provincial statistical bureau, the sales volume of commodities during the January-September period increased 11.4 percent over the corresponding 1982 period and the expenses for selling over 100 yuan worth of commodities dropped by 4.3 percent. Profits earned from every 100 yuan worth of commodities increased by 170 percent. The total profits earned by commercial enterprises across the province were 126 million yuan, an increase of 1.2 times over the same 1982 period. Some 69 million yuan of profits were handed over to the state treasury, up 22.4 percent. Some 244 money-losing commercial enterprises across the province ended deficits totalling 24.6 million yuan. [Summary] [Taiyuan SHANXI RIBAO in Chinese 16 Nov 83 p 1 SK]

INCREASE OF SHOPS IN TIBET--Lhasa, 6 Dec (XINHUA)--The Tibet Autonomous region of China now has about 7,000 state and collectively owned department stores, shops, purchasing centers and vendor's stands and stalls, up 40 percent since the beginning of this year. This was announced at a recent meeting on commerce here. The autonomous regional government has since the beginning of this year adopted more flexible policies to encourage collectives and individuals to run business while developing state-owned shops as living conditions of the people keep improving. People's communes or production brigades now operate more than 1,400 shops. The number of peddlars has come to 4,352. The collective and private shops were set up with their own funds or state loans. [Text] [OW061119 Beijing XINHUA in English 1045 GMT 6 Dec 83]

FOREIGN TRADE

OVERVIEW OF CHINA'S FOREIGN ECONOMIC COOPERATION GIVEN

Beijing JINGJI RIBAO in Chinese 31 Aug 83 p 4

[Report by Sun Yong [1327 0516]: "Our Country's Foreign Economic Cooperation Is Developing Prosperously"]

[Text] With the implementation of the policy of opening to the outside world, the scale of our country's foreign economic cooperation has continued to expand and is developing prosperously. This is primarily manifested in the following aspects:

Obvious Results Have Been Attained in Utilizing Foreign Capital

From 1979 to 1982 our country has used in actuality about \$12.6 billion of foreign capital. Using foreign capital and loans has not only supported the construction of a batch of projects, but has built a batch of projects that are urgently needed in developing the national economy and raising the people's living standards. At the same time, it has played a positive role in importing advanced technology to enhance the technological transformation of the medium and small enterprises at home. It has produced positive influences in enhancing production and expanding export, and has also trained and fostered cadres in advanced technology and management methods.

Experience Has Been Obtained in Contracting and Labor Cooperation

Although our country has only taken the first steps in external contracting and labor cooperation, we have already made a good start. Till now, our country has already set up 42 external contracting companies. By the end of 1982, our country had already signed contracts with concerned units of 46 countries and regions. More than 30,000 people are working abroad. We have contracted such engineering projects as highways and brigades, telephone lines, housing construction, parks, well drilling, geological survey, channel dredging, and pier building. In practice, the various external companies have accumulated useful experiences. Our external contracting rank has been fostered. Its quality has been raised, and it has established preliminary reputation on the international market, thereby creating favorable conditions for development in the future.

Joint Enterprises Have Been Developed Abroad Gradually

At present, besides the foreign trade joint investment companies and companies with exclusive investment that are handling the sales of commodities, our country has already set up joint enterprises in 16 countries and Hong Kong and Macau. These includes such undertakings as processing production, construction engineering, shipping service, technological labor cooperation, counseling service, restaurants, banking and insurance, ocean shipping material supply, and cooperative survey in coal mines. These enterprises have played a positive role in strengthening our country's economic cooperation with the various countries and enhancing the development of economic relations between our country and other countries.

Scientific and Technological Cooperation With the Third World Countries Has Been Strengthened

At present, our country has signed scientific and technological [S&T] cooperation agreements at the government level with 30 countries of the Third World, and has carried out S&T exchanges with nearly 50 other countries of the Third World. The projects that have been launched involved the various realms of the national economy. The major forms include mutually dispatching study groups, internship, inviting specialists to impart technological knowledge, launching common study and design as well as exchanging technological information, seeds and tree saplings. Through such cooperation, a large volume of S&T results and experiences has been exchanged, thereby enhancing the development of the economy of both countries.

Multilateral Cooperation Has Been Effectively Launched

As of 1972, our country has participated in technological cooperation activities with some organizations of the UN Development Council. Since 1979, we have established the "give and take" principle, and changed our previous method of only donating to the United Nations and not accepting its aid. On the one hand, we continued to make donations to the United Nations, but, on the other hand, we also accepted its technological assistance. From 1979 to 1982, our country has used the donations from the concerned organizations of the UN Development Council to conduct on more than 100 occasions all forms of visits and inspections, technological trainings, study groups and discussion groups in China for personnel of the developing nations. We have also run small-scale projects with the use of our donations to the United Nations to assist other countries, and dispatched specialists to provide counseling service. On the other hand, our country has also accepted technological assistance from the UN. Since 1979, using the assistance from the concerned organizations of the UN, more than 200 technological projects in industry, agriculture, energy and transport have been arranged. At the same time, bilateral assistance and production and technological cooperation have also developed to a very large extent.

FOREIGN TRADE

STATEMENT ON U.S. PETITION AGAINST PRC TEXTILES

OW301501 Beijing XINHUA Domestic Service in Chinese 1248 GMT 30 Nov 83

[Text] Beijing, 30 Nov (XINHUA)--A spokesman of the Ministry of Foreign Economic Relations and Trade today issued another statement on the U.S. Commerce Department's acceptance of an "antisubsidy" petition against China's exports of textiles to the United States. The statement reads as follows:

On 12 September, some American textile manufacturers and others filed a petition with the U.S. Commerce Department, charging the Chinese Government with practicing a "government subsidy system" for textiles exported to the United States and asking the U.S. Government to levy a "countervailing duty" to offset the subsidies. On 27 September, our side made representations to the U.S. side and asked the U.S. side to adopt measures to prevent the petition from being carried out, so as not to affect the development of the economic and trade relations between the two countries. However, the U.S. Government ignored our justified representations and the U.S. Commerce Department accepted the petition. Therefore, the spokesman of the Ministry of Foreign Economic Relations and Trade issued a statement on 27 October.

The People's Republic of China is a country that practices a planned economy. Our import and export trade are conducted according to state plan. Our import and export trade accounts for a very small percentage of our GNP, our products are primarily for satisfying domestic demand, and a certain amount of our products are arranged for export according to plan. Our export trade is for financing our imports, which are decided by domestic demand. Both our imports and exports are conducted according to plan. Our exported commodities are purchased at domestic prices and sold at international market prices, while our imported commodities are purchased at international market prices and sold at domestic prices. There is no direct relationship between the domestic prices and the international market prices for either imported or exported commodities, nor does the exchange rate affect our purchase of imported goods and our sale of exported goods abroad. To meet the needs of opening to the outside world economically and of reforming our foreign trade management system, China is using, on a trial basis, foreign exchange prices for internal settlement of trade transactions. The same settlement prices apply to all imported and exported commodities, to all countries and regions and to all enterprises and corporations in the country. The government does not subsidize

any commodity. China does not use varied internal settlement prices, nor does it use special settlement prices for certain imported and exported commodities. The Bank of China settles import and export trade accounts of enterprises at foreign exchange prices for internal settlement of trade transactions prescribed by the state. China's foreign exchange is centrally managed and distributed for use in a unified way by the state.

China and the United States have different social and economic systems. The United States should not use the criteria of capitalist countries to judge China's foreign exchange prices and method of settlement. We hope the U.S. Government will proceed from the overall economic and trade relations between the two countries, and prudently and properly handle this issue so as not to jeopardize the overall economic and trade relations between the two countries.

CSO: 4006/160

FOREIGN TRADE

CHEN MUHUA DISCUSSES COMMODITY INSPECTION

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 8, 27 Aug 83 pp 3.5

[Article by Chen Muhua, state counselor and minister of foreign economic relations and trade: "We Must Pay Great Attention to the Work of Commodity Inspection"]

[Text] I. The Work of Commodity Inspection Is an Extremely Important Link in the Work of Foreign Economic Relations and Trade

The work of commodity inspection itself does not create wealth directly. However, through commodity inspection we can guarantee to a certain degree the quality of exported goods and our credit in international markets; Through it we can also control the quality of imported goods and safeguard the economic interests of our country. Therefore, we believe that the work of commodity inspection is an extremely important link in the work of foreign economic relations and trade. All of our comrades engaged in the work of commodity inspection must adopt a highly earnest and responsible attitude toward their work.

The party Central Committee and the State Council demand that by the end of this century the total volume of our foreign trade reach \$160 billion, quadrupling the figure of 1981--\$40 billion. This is a glorious and arduous task for the 490,000 staff and workers on the economic and foreign trade fronts. In the past few years, Western countries have suffered from an economic recession, and world trade has reached a stalemate. The volume of world trade dropped continuously for 2 years—1981 and 1982. This has been rare since World War II. In sharp contrast to this, the trade volume of our country has increased steadily, changing the trade deficit into a surplus and bringing about a favorable balance of foreign exchange payments. Last year our foreign trade volume exceeded that of the previous year, which was not very easy. It is an outcome of implementing the principle of readjusting, restructuring, consolidating and improving in the national economy, as well as a demonstration of the superiority of China's socialist system. Leading comrades of central authorities recently repeatedly reminded us of the need to keep a cooler head as the situation becomes better. We should notice that there are still quite a few shortcomings and problems in our work. Quadrupling the 1981 figure is certainly no easy job. We must adopt a series of practical and effective measures.

We cannot expand foreign trade by increasing volume only. We should pay equal attention to both the quantity and quality of goods and strive to win a victory with good quality. Take exports for example. Improving the quality of commodities to sell them at better prices and create more foreign exchange is a primary way to improve our economic results as well as a good method to cope with trade protectionism, such as the quota system. In regard to this issue, our understanding needs to be further improved.

The key to whether or not export commodities are up to certain quality standards lies in whether or not production units are able to produce standard commodities. But the supervisory role of commodity inspection work in guaranteeing the quality of commodities must never be taken lightly or ignored.

International markets are not soft-hearted at all. If we fail to emphasize the quality of commodities, pay attention to the sanitary standards of commodities, suit our production to the demand of international markets and inspect our export commodities with these criteria, our problem will not be just whether we can sell our goods at higher prices or whether we can increase our sales volume. Our problem will be whether we can maintain our existing markets. This is not alarmist talk; it is objective reality. If in the past we have won a victory with low prices, we must now clearly point out that we must resolutely and quickly adopt the course of winning victory with good quality. Because good and consistent quality is a "pass" to international markets. A loose quality control system is equivalent to a policy of suicide. Commodities of popular brands are also subjected to strict quality control. Creating a popular brand is not very easy, but destroying it is. Exercising strict quality control is to protect popular brands, not being suspicious of them.

The key to ensuring good quality of commodities is found in production departments. They must adopt measures. If they fail to exercise strict quality control, the work of commodity inspection will not do much good.

First, we must consider quality the most important item. We should have a high sense of responsibility and dedication to win credit for the motherland. We should adopt a series of quality control systems and measures to ensure good quality in the course of production. Production is the foundation. Only when production is guaranteed can product quality be really guaranteed. The quality control work of commodity inspection bureaus plays a significant role in encouraging production departments to improve the quality of export commodities, and preventing the export of substandard commodities. It is like combing hair with a fine-tooth comb: substandard commodities will be combed out. All production units, economic and trade offices (bureaus), concerned companies and commodity inspection departments are urged to make concerted efforts to strictly control the quality of commodities.

II. Commodity Inspection Departments Must Have Two Functions--Inspection and Service

The three basic tasks of commodity inspection work are: Exercising unified control of export and import commodity inspection work, conducting legal inspections and handling foreign trade notarization and appraisal businesses.

These tasks actually include two duties: One is guaranteeing the quality of export and import commodities; the other, rendering service for export and import businesses. Comrades in charge of commodity inspection must have a viewpoint of inspection as well as a viewpoint of service. They must not set one against the other or emphasize one over the other. Only by correctly combining these two viewpoints in ideology can they handle well the relations between commodity inspection departments and trading companies and production departments in practical work.

Now I will talk about inspection and service, respectively.

First, I will talk about inspection. What do we rely on in inspection? We should mainly rely on strengthening economic legislation, perfecting rules and regulations and observing laws, rules and regulations. Commodity inspection work has a history of more than 30 years. Quite a few experiences have been accumulated. However, it seems to fall behind some relevant departments in regard to the building of legal systems. At present, we should first strive to gain the approval of the draft rules for inspecting import commodities, which we have submitted to the State Council. We should reexamine these rules to see if anything needs to be revised. At the same time, we should start drafting the law on commodity inspection and submit it to the NPC for approval. This is a fundamental way of building commodity inspection work, as well as an urgent task. We must immediately organize forces to conduct systematic investigations and studies, collect all information concerned at home and abroad, solicit opinions from departments concerned, repeatedly discuss and revise the draft and concentrate our efforts on this work to make sure that we will have some results. Aside from the rules and the law discussed above, the Ministry of Foreign Economic Relations and Trade may work out some regulations to be reported to the State Council for approval and enacted as administrative regulations. This work will be mainly organized by the state commodity inspection bureau, but local commodity inspection bureaus are also encouraged to actively participate.

Our commodity inspection bureau is called the PRC State Bureau for the Inspection of Export and Import Commodities. The name itself explains that the bureau is not only responsible for some commodities and not only in charge of legal inspection of commodities. It is responsible for all export and import commodities. The range of commodities subjected to legal inspection can be properly readjusted in accordance with different situations. It can be expanded or reduced. The total number of such commodities can be increased a little. Few local specialties or commodities or local color may be subjected to legal inspection if local governments think it is necessary and be added to the total number of commodities under legal inspection. Commodities such as wheat, chemical fertilizer, sugar and synthetic fiber are major items on the list of import commodities under legal inspection and are vital to the national economy and the people's standard of living. Therefore, they must be put under strict control. Generally speaking, imported goods should be better than ours. However, we should not have blind faith in them. The idea that "whatever is imported is good and does not need to be inspected" is absolutely wrong. Therefore, both export and import commodities must be inspected carefully. Some comrades ask whether it is allowed to relax policy in commodity inspection. We think that in order to suit new situations, some

methods need to be properly readjusted in order to become more flexible. But, as far as quality inspection is concerned, inspection will be conducted in accordance with the terms of contracts or international standards; easing policy does not constitute an issue. Commodity inspection concerning Chinese-foreign joint ventures, foreign enterprises, processing and assembly of imported materials and compensatory trade poses a new issue. We need to solicit opinions from departments concerned on this issue, conduct concrete studies and work out measures in this regard. People now demand lowering standards for quality as soon as the words easing policy are mentioned. This is not allowed. It is a misunderstanding.

Next, I will talk about service.

Commodity inspection is a profession developed along with the development of international trade. Our commodity inspection is the quality control of export and import commodities exercised by the state. As far as exports are concerned, it serves as the last checkpoint before commodities are exported and after they are inspected by factories and accepted by trading companies. Our commodity inspection does not concentrate on pure inspection only. It must actively and voluntarily serve the development of our foreign economic relations and trade. This is determined by the socialist nature of our work. If inspection is to solve our problems temporarily, then, the purpose of service will be to bring about a permanent solution to our problems. With regard to quality control, our commodity inspection bureaus provide certain technical forces to help plants improve production conditions. This is called service. With regard to product quality, we offer counselling services to trading companies and production units. We should constantly collect information on relevant laws and regulations of other countries and technical measures they adopt to guarantee quality and provide it in a timely manner to production and supply departments for their reference. We should improve our service attitude and work methods striving to do a better job in commodity inspection as a convenience for foreign trade and to stimulate production. We should be concerned about what concerns foreign trade departments and production departments and integrate strengthening quality control with providing good service.

III. Economic and Foreign Trade Departments Should Actively Support Commodity Inspection Work

Fundamental objectives of commodity inspection departments and economic and foreign trade departments are the same. They are to expand exports and develop foreign trade. All of us must be concerned about and support commodity inspection work. It is very difficult for commodity inspection departments to smoothly fulfill their tasks without the concern and support of all circles, especially the concern and support of provincial governments, economic and foreign trade offices, companies and departments responsible for production. For instance, we have recently issued quality permits for exporting machine tools and other tools. In initiating this work, we have mainly relied on the support of the State Economic Commission and the Ministry of Machine-Building Industry. This experience can be applied to other fields. Commodity inspection,

customs and industrial and commercial administrative departments must unite as one and join efforts to do a good job in quality control. Our trading companies must not think that commodity inspection departments are making things difficult for them. Commodity inspection is aimed at improving the quality of our export commodities. Only when economic and foreign trade departments actively cooperate with and work together with commodity inspection departments in exercising strict quality control can our foreign economic relations and trade secure smooth progress. In order to gain the support of all circles, commodity inspection departments should constantly report to economic and foreign trade offices and brief leaders of provinces, municipalities and autonomous regions on quality situations of their local export commodities. Commodity inspection departments should be good at spreading propaganda among trading companies and production and supply departments and make everyone understand and be concerned about commodity inspection work.

IV. We Should Strengthen the Building of the Commodity Inspectors' Contingent and Update Commodity Inspection Equipment

From now on, we should switch our attention to the quality of commodity inspectors except for newly opened ports. Indiscriminately increasing the number of inspectors will not always improve the quality of inspection work. On the contrary, it can create a number of problems. Inspectors hired in recent years come from all corners of the country. Most of them are not familiar with the commodity inspection business. There is only one way to change this phenomenon, and that is to strengthen personnel training. First, we should train chiefs and deputy chiefs of provincial, municipal and autonomous regional commodity inspection bureaus. The training period should not be long. In the training, they should mainly study commodity inspection policies and operations. In addition to this, they should also take some courses in modern science and technology in light of the fact that the commodity inspection work relies heavily on technology. As for other personnel concerned, we should also adopt different measures in accordance with different situations to train them in a planned manner. The state commodity inspection bureau should concentrate on this work. All provincial, municipal and autonomous regional commodity inspection bureaus should also concentrate on this work. They should come up with more ideas in accordance with local situations. Especially, sparetime training courses in various forms must be vigorously organized. We should advocate training versatile inspectors who are good at many skills but are specialized in one.

Export and import commodity inspection bureaus should gradually modernize their inspection rooms, instruments and equipment when conditions permit. They should explain this to their superior departments and ask for their support. New instruments and equipment must be well utilized and maintained. I have heard that some localities have already broken their new precision instruments and are unable to fix them, causing losses and affecting work. We must establish strict responsibility systems in regard to the utilization and maintenance of important instruments and equipment. At the same time, we should also establish scientific management systems. Strengthening management will become more important as the number of advanced instruments and equipment increases.

Situations are making greater and greater demands on export and import commodity inspection work. There is a bright future for this work. We can accomplish a lot. We must not fail to fulfill the heavy task entrusted to us by the party and the state. We must work diligently, conscientiously and carefully to make new contributions to creating a new situation in commodity inspection work.

12302
CSO: 4006/007

FOREIGN TRADE

BRIEFS

FOREIGN INVESTMENT IN HAINAN--Since the beginning of this year, the work of importing foreign capital has become increasingly active. Joint projects between local counties and cities and foreign businessmen amount to 44 items, with a total amount of investment worth \$86.87 million. Of the 44 items, 34 items have gone into operation. Foreign capital used in the operations amounts to \$13.41 million. Furthermore, items covering assembly work with parts imported and processing with materials imported by customers themselves, amount of 117. Employment for 2,250 persons has been created in this way. In April this year, the CPC Central Committee and the State Council made the decision on speeding up the exploitation and construction of Hainan, which aroused the concern of many countries in the world. Economic investigation groups from more than 10 countries and regions have come to Hainan, totaling 156 batches with 388 visits, to discuss cooperation and trade matters. Items of cooperation cover the fields of industry, agriculture, animal husbandry, aquatic products, light industry, electronics, building materials, communications, and tourism. At present, 10 important items covering exploitation of oil on land, construction of a petrochemical factory, the Yangpu and Qinglan ports, construction of an expressway, a thermal power station, a hydroelectric station, and some factories are in the process of negotiation with foreign companies. [Summary] [Haikou Hainan Island Service in Mandarin 0330 GMT 19 Nov 83 HK]

GUANGDONG UTILIZES FOREIGN CAPITAL--By the end of September this year, Guangdong Province had signed some 30,000 contracts with foreign firms and the amount of investments reached \$4.5 billion. Through the utilization of foreign capital, the province has restored and developed production and has embarked on a number of key projects. The province now has 80 key projects in which foreign firms have invested over \$1 million. After their completion, these projects will play an important part in developing the national economy. Through the utilization of foreign capital, the province has imported advanced technology and equipment to speed up technical transformation. Over the past 4 years, the province has imported some 100,000 sets of equipment, the great majority of which are more advanced than those already in our country. The provincial conference on the utilization of foreign capital was held in Foshan City today. Vice Governor Li Jianan attended the conference and spoke in the morning and (Ye Tinghai), vice chairman of the provincial committee of foreign

economic relations, made a summary report. [Summary] [Guangzhou Guangdong Provincial Service in Cantonese 1130 GMT 22 Nov 83 HK] From January to September this year, Luangdong Province signed some 7,000 contracts with foreign firms, firms run by Overseas Chinese, and Hong Kong firms, an increase of 38 percent over the same period last year. The gross amount of investments recorded an increase of approximately 35 percent. [Summary] [HK011526 Guangzhou Guangdong Provincial Service in Cantonese 1130 GMT 23 Nov 83]

GUANGDONG FOREIGN CONTRACTS--Since the beginning of this year, the province has vigorously developed building business for foreign firms under contract and labor service. By the end of October, the province had signed some 28 new foreign contracts, with total transactions amounting to some \$39 million. The provincial international economic and technological cooperation company has undertaken to contract for building, chemical, highway, and water conservancy projects in 10 countries and areas, including Iraq, Japan and Libya. This autumn, the company attended for the first time the Guangzhou Export Commodity Fair and held business talks with 19 foreign businessmen on 15 items. [Summary] [HK061322 Guangzhou Guangdong Provincial Service in Cantonese 1130 GMT 2 Dec 83]

SHAANXI EXPORT DEVELOPS QUICKLY--The export of cereals, oils, and foodstuffs in Shaanxi Province has developed very quickly. The amount of these products procured in 1982 was 20.77 percent more than in 1980 and the amount of export recorded an increase of 577 percent. The amount of these products procured and exported from January to October this year was higher than in the same period last year. Cereals, oils, and foodstuffs in the province have now been exported to Hong Kong, Macao, Japan, France, Holland, Singapore, Yemeni Arab Republic, and Cuba. [Summary] [Xian Shaanxi Provincial Service in Mandarin 0500 GMT 21 Nov 83 HK]

JILIN EXPORT PROCUREMENT--As of mid-November, Jilin Province fulfilled the 1983 target for the procurement of commodities for export by 103.9 percent, an increase of 2.6 percent over the corresponding 1982 period. The sum of commodities procured for export amounted to 110 million yuan. [Summary] [SK050025 Changchun Jilin Provincial Service in Mandarin 1030 GMT 30 Nov 83]

CSO: 4006/159

LABOR AND WAGES

NANJING ENCOURAGES FLOATING WAGE SYSTEM

Nanjing XINHUA RIBAO in Chinese 23 Aug 83 p 4

[Article by Feng Zhuozhi [7458 3820 0037]: "An Inquiry Into the Floating Wage System"]

[Text] During the reforms being carried out on various fronts, some units have adopted on a trial basis a floating wage system within the limits of a wage bill provided by the state. It includes a floating promotion system carried out inside enterprises on a trial basis and floating of a part or most of the base pay combined with current bonuses. Along with in-depth development of the reforms, details of the floating wage system will be improved.

The main purpose of enacting the floating wage system on a trial basis is to revitalize enterprises and the economy by linking wages and bonuses to individual staff and workers' labor achievements and efficiency. Floating distribution of wages and bonuses and a floating promotion system are conducted on the basis of the evaluation of individual staff and workers' labor performance, attitude, skills and contribution demonstrated during the fulfillment of work targets concerning output, quality and conservation. Staff and workers wages and bonuses will be increased if their labor achievements are good. Their wages and bonuses will be reduced if the achievements are poor. The floating promotion system is also the same. Staff and workers will be promoted or downgraded according to their performance in a given period, 2 to 3 years for example, and their grades will not remain unchanged forever. These floating systems have changed the egalitarian phenomena of eating out of the same big pot and giving equal treatment to people whether they have done a good job or a bad one, whether they have worked a lot or a little, whether they have done a difficult job or an easy one and whether they have worked at all. Carrying out the floating wage system is undoubtedly a bold reform in the distribution methods of current wage systems. It is to further implement the principle of from each according to his ability and to each according to his work. In units where a better job has been done in this regard, staff and workers all welcome such a floating wage system. They say: "The floating wage system can encourage industrious people and punish lazy ones, make clear rewards and penalties and increase production."

The appearance of the floating wage system is a reform in the area of distribution. This system is a new form of wage distribution created by the combination of enterprise leaders, the masses of workers and cadres in charge of wage work. It is a superior wage system opposing the egalitarianian practice of eating out of the same big pot. Labor emancipation in the economy was made possible by the victory of the proletarian revolution. This emancipation is to implement the principle of from each according to his ability and to each according to his work in a socialist society after changing the capitalist ownership system. The floating wage system has embodied this principle, linked staff and workers to the labor achievements, the success and failure in management and the economic results of enterprises, closely combined the relations of the state, collectives and individuals and enabled wages and bonuses to float upward or downward according to the difference in worker labor achievements. Comrade Mao Zedong once said: "Welfare grows 1 fen as production grows 1 cun." This analogy is equivalent to what today's people described as "Big portion goes to the state, the medium portion goes to the collective and small portion goes to the individual." They all mean the same by implying the word floating in theory. However, the floating rate of wages must be lower than the growth rate of production. In his report at the 12th CPC Congress, Comrade Hu Yaobang pointed out: "The average growth rate of staff and workers wages must be lower than the growth rate of productivity. Indiscriminate issuance of bonuses and various subsidies without consideration of actual production and profit situations must be stopped." This is a basic principle for carrying out the floating wage system.

Adopting the form of a floating wage system will not only increase the wages of units where production is good but also reduce the wages of a few enterprises, units and individuals failing to do a good job in production. This is the biggest characteristic of the floating wage system as well as a key to revitalizing enterprises and the economy and doing a lively job in regard to staff and workers wages. The results of carrying out the floating wage system will be in accord with the principle of to each according to his work, more rewards for more work and less rewards for less work.

To carry out the floating wage system, it is necessary to have good work foundations. For example: First, it is necessary to have clear targets for evaluation. Second, it is necessary to have average and advanced labor quotas. Third, it is necessary to strengthen enterprise readjustment and enterprise management and perfect statistics and file inspection systems. Fourth, leaders should correct their ideological line and at the same time conscientiously do a good job in the ideological and political education of staff and workers. Above all, they should not overemphasize money.

Of course, different enterprises have different salient features in production. Except for those under the state unified plan, they should proceed from reality, seek truth from facts and choose different forms of wage systems in light of their own conditions. By no means should they all

rush to adopt the floating wage system without thinking just because it is already there. We should strive to put our work on a solid foundation and fulfill the glorious tasks of "reforming labor and wage systems and establishing an economic management system suited to our national conditions so as to guarantee the sound development of the national economy," which was set forth by Comrade Hu Yaobang in the political work report of the 12th CPC Congress.

12302
CSO: 4006/025

LABOR AND WAGES

BRIEFS

RETIRED WORKERS BENEFITS--Beijing, November 25 (XINHUA)--Retired workers in Beijing who do not have families are well looked after by trade union activists, according to a circular released by the Beijing Trade Union Council. A survey conducted by the council in September this year showed that 5,522 of the city's 295,000 retired workers have no close relatives in the city to depend upon. Various measures have been taken by trade unions at all levels to help the retirees, the circular said. Some are living in homes for the aged or in collective dormitories, while others are looked after by their neighbors or have gone back to their native places to live with relatives, it said. More than 26,300 young workers have been organized into groups to provide services for retirees who live alone, it added. The young workers buy food and vegetables for them, help them with their household chores and look after them when they fall ill. Male office workers in China retire at the age of 60 and female workers at 55. They continue to receive pensions of over 70 percent of their original wages. [Text] [OW251300 Beijing XINHUA in English 0659 GMT 25 Nov 83]

CSO: 4020/042

TRANSPORTATION

GUANGDONG STRENGTHENS PORT CONSTRUCTION, MANAGEMENT

Shantou SHANTOU RIBAO in Chinese 18 Aug 83 p 2

[Article by Wu Songmao [0702 2646 5399]: "Strengthen Construction and Management of Coastal Ports"]

[Text] Ports are national passages of imports and exports, doors opened to the outside world and junctions of water, land and pipeline transportation. Shantou city is a major port of foreign trade. Most import and export goods are handled by this port. However since port construction is slow, the number of berths is limited and deepwater berths are not available, handling of goods will be delayed when the number of ships is increased. The handling capacity of the port lags far behind the needs of industrial and agricultural production and foreign trade. Therefore, strengthening port construction is an extremely important issue.

Since the 3d Plenary Session of the 11th CPC Central Committee, Shantou city has paid great attention to port construction, adopted many effective measures to construct and utilize one coastal port after another, materialized direct trade contacts with Hong Kong and brought into full play economic effectiveness.

On this basis, Shantou city this year again determined major projects of coastal port construction. Two cargo wharfs, three 5,000-ton berths and one passenger wharf of Shantou Port and a 10,000-ton anchorage of Sanbaimen Port are now under intensive planning and construction. The development of the Guangao Bay and the port construction of the Shantou Special Economic Zone are also being actively planned. Other ports should also work out some programs to construct ports stage by stage and group after group in accordance with their local economic development plans to help Shantou city further rationalize the distribution of coastal ports.

To strengthen the construction of coastal ports in Shantou city, first of all, we should strengthen and improve port management and increase port handling and transport capacities. All departments of the port must base on existing foundations and use available manpower and equipment to accelerate cargo handling of existing berths, increase the number of business windows, expand lighter operation, increase loading and unloading capacity, try in a thousand and one ways to raise the rates of wharf

utilization, workers attendance and machine utilization, and shorten the time of vehicles and ships staying in ports. We should strengthen foreign trade transport as well as export and import planning and management, do a good job in organizing the supply of goods and strive to achieve a balance of goods delivered to foreign countries. Departments concerned must make monthly arrangements for the arrival, unloading and transport of all imported goods. At the same time, we should do a good job in overseeing port sanitation and preventing water pollution. Second, we must enforce strict economic responsibility systems in capital construction. Leading comrades of central authorities have pointed out that to carry out the four modernizations, we must conduct a series of reforms. In port construction, we must carry out strict contract economic responsibility systems. We should sign contracts with the state as well as lower construction units, work groups and individuals on investment, construction period, quality of work and consumption of raw and processed materials. These contracts should state in explicit terms responsibility, power and interests for each unit so as to arouse the enthusiasm of all circles. Practice has proved that these contract economic responsibility systems have achieved outstanding economic results, effectively controlled the scale of investment, shortened the construction period and guaranteed construction quality. In the past, due to the leftist influence, such phenomena as wasting money and eating from the same big pot were very serious in regard to the capital construction of some ports. Their construction period was long, quality was poor and waste was serious. The solution to these problems is to carry out a strict economic responsibility system. Third, departments concerned must voluntarily coordinate and vigorously help each other. At present, some units shirk their responsibility and blame others instead of first considering the situation as a whole when they encounter difficulties in port construction; some have a prefunctory attitude toward comrades of grassroots units, trying to stidestep them with vague answers. This has thrown port construction into passivity. We must overcome such phenomena, unite as one, work with one heart and one mind and in a down-to-earth manner, respect science, take action to promote the construction of coastal ports and make new contributions to stimulating industrial and agricultural production and developing foreign trade in Shantou city.

12302
CSO: 4006/025

TRANSPORTATION

BRIEFS

LANHUI RAILWAY--Hefei, November 21 (XINHUA)--A new railway line linking Anhui Province's Fuyang City with Huainan, a major coal producing center, was opened to freight trains on November 19. It will alleviate the tension of transportation on the North-South Beijing-Shanghai trunk line running parallel to it. The 127.2-kilometer-long railway line also links up with Huabei, another major coal producing center in the province. The line will be open to passenger traffic at a later date when stations and other facilities are completed. [Text] [Beijing XINHUA in English 1112 GMT 21 Nov 83 OW]

RAILWAY FREIGHT TRANSPORT--Beijing, November 19 (XINHUA)--China's railways carried 6.97 billion ton-kilometers of freight by the end of October--9.4 percent more than in the same period a year ago, the "ECONOMIC DAILY" reports today. The country's railway departments recorded a 27.2 percent rise in profits and taxes delivered to the state, and met their annual quotas two months ahead of schedule, the paper says. The "ECONOMIC DAILY" attributes the increases to improved efficiency following the restructuring of organizations and streamlining of enterprises. More than 2,600 railway enterprises--98 percent of the nation's total--had been streamlined by the end of September, the paper adds. [Text] [OW192318 Beijing XINHUA in English 0730 GMT 19 Nov 83 OW]

CARGO SHIP LAUNCHED--Dalian, November 8 (XINHUA)--A 27,000-ton bulk cargo ship was launched at the Dalian shipyard yesterday. This was the last of eight 27,000-ton ships ordered by the Hong Kong Shipping Co. Ltd., the Wheelock Marine Services Ltd. and Green Island Cement Company Ltd. Four have been handed over to their owners, according to the shipyard. The shipyard began building ships for Hong Kong, Macao and foreign customers in 1980. A state gold quality medal was awarded to "Chang Cheng" (The Great Wall), the first 27,000-ton ship built by the shipyard for export. The shipyard has also built two oil drilling platforms for the U.S. Baker Marine Company. Work began earlier this year on the building of a 65,000-ton oil tanker, a 35,000-ton cargo ship, and a 10,000-ton class container ship. [Text] [Beijing XINHUA in English 1629 GMT 8 Nov 83 OW]

CSO: 4020/042

GENERAL

SHIJIE JINGJI DAOBAO ESTABLISHES COUNCIL

HK210800 Shanghai SHIJIE JINGJI DAOBAO in Chinese No 156, 10 Oct 83 pp 1, 8

[Report: SHIJIE JINGJI DAOBAO Office and Its Council and Advisory Committee Officially Inaugurated"]

[Text] Honorary director Qian Junrui announces: Wang Daohan, honorary chairman of the council; Xin Yuanxi, chairman of the council; and Xue Muqiao, Huan Xiang, Ma Hong, Yu Guangyuan, Xu Dixin, Xu Xuehan, Sun Huaiyu, and Chu Baoyi, senior advisors.

On 6 October a reception was held to acknowledge the support from various circles. On behalf of the Shanghai Municipal Government, Ruan Chongwu, vice mayor of Shanghai, encouraged the paper to quicken its pace of advance. On behalf of economists Li Hao, Xu Xuehan, and Yang Peixin, Ji Chongwei, executive secretary of the economic research center of the State Council, made a speech of congratulations. Some economists in Beijing such as Chen Hansheng, Qian Jiaju, Wu Dakun, Pu Shan, Wang Shouhai, and Li Cong, sent their congratulatory messages or letters to the inauguration ceremony. Wei Fuhai, mayor of Dalian City, made a special trip to Shanghai to offer his congratulations.

The SHIJIE JINGJI DAOBAO office and its council and advisory committee were officially inaugurated on 6 October. That evening a reception was held in Shanghai's banquet hall.

On behalf of the SHIJIE JINGJI DAOBAO office, honorary publisher Qian Junrui expressed cordial thanks to various circles for their enthusiastic solicitude and forceful support. Amid the warm applause, he announced the namelist of the main leading cadres of the SHIJIE JINGJI DAOBAO office and its council and advisory committee. Qian Junrui said that the inauguration of the council and advisory committee was a step of key importance in the development of various undertakings by the SHIJIE JINGJI DAOBAO office. He believed that under the leadership of the council and with the support of the advisory committee, a new prospect will surely be opened up in the work of this office.

Wang Daohan, honorary chairman of the council, attended the reception. Chairman Xin Yuanxi made a speech on behalf of the council. He said that SHIJIE JINGJI DAOBAO was a product of the political and economic situations since the 3rd Plenary Session of the 11th CPC Central Committee. Over the

past 3 years or so, since June 1980 when it began publication, it has developed a style and feature of its own in reporting on the world economy as well as the economy of China and Shanghai. Now its circulation has reached more than 400,000 copies. The domestic subscribers are spread all over the 29 provinces, municipalities, and regions, and the international subscribers can be found in more than 50 countries and regions. In the new situation in which the construction of the four modernizations is being carried out, SHIJIE JINGJI DAOBAO must double its efforts, do more work, and shoulder heavier loads. With the establishment of the council and the advisory committee, this paper will surely enter a new stage of development.

In his speech, Ruan Chongwu, vice mayor of Shanghai, enthusiastically congratulated, on behalf of the Shanghai Municipal People's Government, the new step taken by the SHIJIE JINGJI DAOBAO office. On behalf of some economists in Beijing, Li Hao, Xu Xuehan, and Yang Peixin, and Ji Congwei, executive secretary of the economic research center of the State Council, who had made a special trip to Shanghai for the occasion, extended warm greetings to the official inauguration of the SHIJIE JINGJI DAOBAO office and its council and advisory committee. Wei Fuhai, mayor of Dalian, made a special trip to Shanghai to offer his congratulations.

Congratulatory telegrams and letters sent by some famous economists such as Chen Hansheng, Qian Jiahua, Wu Dakun, Pu Shan, Wang Shouhai, and Li Cong, were also read out at the reception.

Among those attending the reception were personages from various circles. They are:

Zhou Qucheng, Zhou Huamin, Zhong Min, Zhu Zongbao, Liu Zhenyuan, Shi Ping, Zhou Ke, Wang Yuanhua, Chen Tiedi, Wu Bangguo, Huang Ju, Chen Yi, Li Peinan, Liu Nianzhi, Zhang Chengzong, Zhao Chaogou, Sun Huairen, Chu Baoyi, Ye Shangzhi, Huang Pu, Chen Qiwu, Hong Ze, Wu Jian, Jiang Lan, Luo Zhufeng, Lu Zhiren, Lan Ying, Zheng Yingnian, Pan Nianzhi, Li Zhaohua, Zhang Peiji, Xu Panqiu, Yao Mai, Qi Qisheng, Li Hongshou, Zhang Zhongli, Teng Maotong, Ma Meili, Ding Chen, Fang Xiaoqiu, Xu Naijiong, Qin Liufang, Zhang Xiancheng, Zhang Xuansan, Chen Nianyun, Li Jiagao, Chen Hao, Sun Gengduo, Li Chuntao, Wang Chongji, Shi Qi, Feng Shuchun, Wang Meizheng, Da Yijin, Shi Xiaochong, Yang Xishan, Bai Yang, Bai Yan, Ma Wanjie, Xiao Ka, Hu Peiran, Xiao Che, Lu Muyun, Gu Shuzhen, Xiao Lin, Wei Ming, Su Yun, Fan Zhengfu, Shou Jinwen, Chen Yusun, Wang Wei, Xu Zhucheng, Lu Yi, Tang Hai, Miao Lichen, Zhou Fanyang, Yang Ying, Xu Zhongni, Lu Hao, Shu Renqiu, Xue You, Du Zhong, Liu Huozi, Feng Yingzi, Li Jin, Chen Biaoru, Yu Kaixiang, Chen Guanlie, Cao Feng, Yong Wenyuan, Jiang Jiajun, Zhang Xunhua, Jiang Zehong, Hong Wenda, Zhu Yuan, Gui Shizha, Li Lixia, Xia Jinxiong, Wang Yihe, Zhu Erpei, Xu Pengfei, Chen Mingshan, Yang Yanxiu, Qi Zhengyuan, Jiang Bin, Xu Ke, Chen Minzhi, Xu Zhihe, Hong Bingqi, Shen Yixing, Pu Zengyuan, Huang Dao, Wang Daoqian, Jiang Wenjie, Chen Yang, Wang Tao, Wan Jichun, Wang Dingyi, Ding Zhengduo, Li Taicheng, Hang Wei, Han Zhongyue, Fang Xing, Wang Xinnan, Liu Ji, Deng Bowen, Liu Siren, Li Qishi, Zhu Gang, Qi Weili, Yuan Taoyuan, Li Jisan, Zhao Renan, Shi Bin, Wu Songsheng, Gu Yuan, He Gaosheng, Guo Jiafu, Xu Xiang, Zhong Ming, Song Jun, Wu Yunpu, Sun Shuheng, Lin Mingqiu, Yang Ruzhen, Wang Xi, Gu Lianxi, Tang Yunhong, Xie Shusen, Ren Baizun, Li Xiugeng, Li Changjiu, Jiang Guangyong, Zhu Ruyuan, Li Guangming, and Li Minzhi.

GENERAL

JOURNAL ON 'FOURTH WORLD INDUSTRIAL REVOLUTION'

HK220756 Shanghai SHIJIE JINGJI DAOBAO in Chinese No 156, 10 Oct 83 p 2

[Article by Qian Xuesen [6929 1331 2773]: "On the 'Fourth World Industrial Revolution'"]

[Text] What Information Has It Brought Us

It is now common practice for the developed capitalist countries in the West to clamor for a new "revolution in science and technology," and a new "industrial revolution." They are simply trying to give a cardiac stimulant to the decaying capitalist system which is beset with contradictions, saying that Marxism does not work anymore because there was no such new "revolution" in the times of Marx and Engels, and capitalism will exist forever. The most recent such clamor is the "Third Wave" written in 1980 by (Toffler) [2094 1133 0519] a U.S. sociologist with a background in journalism, advocating that electronic computers, genetic engineering, new-type structural materials, oceanic development, and so on will solve all difficulties in their country, and make the Western world once again prosperous. I have previously commented on (Toffler's) advocacy. (SHIJIE JINGJI DAOBAO, 19 July 1983, p 5) Generally speaking, (Toffler's) theory holds no water; however, the new developments in science and technology which he mentioned do greatly effect the production of material wealth, which should not be neglected.

After a span of 3 years, on 10 April, there appeared in the U.S. CHICAGO TRIBUNE another article titled "The Fourth World Industrial Revolution Expected by Science and Industrial Circles," written by (Cordurak) [4430 0956 2139 0344]. (Cordurak's) tone does not sound much like that of (Toffler), and is not as strong. Though he also speaks of miniprocessors of electronic computers, genetic engineering, new materials, the development of energy resources, and so on, he does not deal with the bright prospects of the capitalist world; however, there is a note of crisis in his article, saying that educational circles are facing the challenge of the "Fourth World Industrial Revolution" (this is irrational, because he divides the industrial revolution at the turn of the 19th century into two revolutions, while the development of electric power, the chemical industry, and the automobile at the turn of the 20th century are generalized as the "third industrial revolution"). The United States is now lagging behind Japan and West Germany; this is because the salaries for high school and university teachers are too low and they would rather work for

enterprises. Therefore, teaching qualities are low, and the students they are training will not be able to cope with the "fourth industrial revolution," and they will be defeated by Japan or West Germany in the long run. This gives prominence to the importance of human intelligence, and of the mastery of knowledge, which is worth further inquiry, and the useful information brought us by the so-called "Fourth World Industrial Revolution."

Intelligence and Knowledge Are Productive Forces

What are the productive forces? Classical theory says that the essentials of productive forces are: 1) laborers possessing certain production experience and skill; and 2) labor materials with production materials as the key. There is another saying that productive forces should include a third element, namely, the object of labor. Here, we shall not go into this problem for the time being, but deal only with the two essentials of productive forces included in classical theory.

Nevertheless, looking at it now, the classical theory of productive forces must be developed: first, do we not say that science and technology are productive forces? Therefore, productive forces should include science and technology; without them, productive forces will not be improved. This is very vivid in China's countryside today; the peasants call science and technology workers in agriculture the "god of wealth." Another very important point is that we cannot understand science and technology as natural sciences, because the formation of productive forces also includes organizational management in the production system. Therefore, Comrade Deng Liqun said: "A considerable number of our comrades will easily come to think of natural sciences whenever science is mentioned, leaving out social sciences. In the past, due to various reasons, there was some truth in such understanding; but after the 12th CPC National Congress, if people still look at the problem this way, or try to solve problems in this line, they are behind the times" ("JINGJIXUE DONGTAI [TRENDS OF ECONOMIC STUDIES]" No 1, 1983, p 1).

[HK220758] The so-called "Fourth World Industrial Revolution" also highlights this question: If science and technology is to progress, it is necessary to acquire a powerful contingent for scientific and technological research and development; when there are achievements in science and technology, there should be people who are capable of applying them. This means that high-level scientific and technological personnel are needed not only in research units of science and technology, but a large number of engineers, scientists, and specialists in management of high level are needed also in production organizations and enterprises. Moreover, there are further requirements: In the age of electronic computers, automatic control, and genetic engineering, new materials and energy resources, there is a difference in the workers engaged in production; their laboring skills are not based on physical labor, but on intelligence and knowledge; they, too, are "specialists," and intellectuals. Therefore, it is essential that the productive forces have "laborers who possess a certain level of production experience, labor skill, intelligence, and knowledge." It is unprecedented in human history that a requirement in such height and breadth is set for people, and this can be described as an important

revolution in the development of human society. Since the collapse of primitive society, the difference between manual and mental labor formed over thousands of years will finally be eliminated.

Under such pounding, the United States is carrying on a debate on how to raise the quality of education. Some opinions put forth in the debate on the reform of high school education in the United States are notable, for example:

1. Lower the age for primary school entrance; children aged 4 should begin receiving normal education, and graduate at 16.
2. Reduce the size of high schools; the number of students should not exceed 300 on average, with a teaching staff of 12.
3. High school students should devote 4 years to the study of English, 3 years to mathematics, 3 years to natural sciences, 3 years to social sciences, and 1½ years to electronic computers; those high school students who are ready to enter university should devote at least 2 years to the study of a foreign language.
4. High school students should devote 7 hours a day to classwork and 220 days at school annually, instead of the present 6 hours of classwork, and 180 school days.
5. Raise the requirements for university entrance.
6. Award excellent teachers; implement the system of the "best teachers" in high schools. Those "best teachers" should acquire a doctorate degree, and their salaries should be higher than teachers in general.
7. Raise the standard of teachers and conduct examinations for "eligibility" of teachers at fixed intervals.

At present, the debate on educational reform is still under way. In a speech in May this year, Bell, secretary of education, said: The improvement of public education will become an important issue in the presidential election in 1984.

What Should We Do

There is always a process in the development of things. At present, the general impression in our society seems to place doctorate status above that of the professor. Actually, in modern developed countries, college graduates of the 4-year school system have only reached the basic requirements of participating in general work and it will be impossible for them to participate in more advanced work without master or doctoral degree training. Nevertheless, those who hold a doctorate degree who are engaged in research work in science and technology or teaching in colleges are but acquiring the primary conditions to become primary researchers or lecturers; they should go through long years of training in practical work before they reach the level of senior

engineers, scientists and professors. Such a situation has been going on since the beginning of this century, and has demonstrated the importance of culture and knowledge in modern society. Now it is due to the so-called "fourth industrial revolution" that this development has been pushed ahead, requiring that college graduates account for more than 10 percent of the employed population, while a large number of people are trained in masters and doctorate degrees. Without such intellectual exploitation, it will be impossible to realize modernized production in the future or by the beginning of the 21st century. What about the more distant future? It will require that everyone receives a college education, and part of them should acquire a level of a masters and doctorate; in other words, universal college education.

[HK220800] This is the requirement put forth by the developing trend of modern science and technology and production. If developed countries achieve this and we do not, what will the situation be? The productive forces of our country will be greatly lower than that of the developed countries at that time; will our people be satisfied with this? Can we say that we have built a modernized socialist country with a high level of material and spiritual civilization? It will be a great achievement to realize the quadrupling of the gross output of industrial and agricultural production by the year 2000. However, the road after that will be more difficult. We should realize this and make preparations in advance.

We should consider that, by the year 2000, we should insure, as a first step that cadres should all be college graduates of a 4-year school system, directors at the bureau level and army cadres at division level should all hold masters degrees, and cadres at the ministerial level and cadres at army level should all hold doctorate degrees. In this way, leading cadres retiring in their 50's or 60's will be able to teach at institutes of higher education, or do research work, making full use of their work experience. Of course, this requirement may seem much higher than our actual conditions, but may seem not enough compared with the developing trend of modern science and technology as mentioned above.

There Should Be Long-term Planning

We have so far touched lightly upon the problem of education and we have not even touched upon teaching quality and the educational system. However, in order to welcome and make preparations for the 21st century, there is much to do apart from education. According to the "Fourth World Industrial Revolution," there are problems such as science and technology, literature and art, books and journals, intelligence, data and information, and the construction of information networks. In other words, it involves the problem of the whole cultural construction and the construction of socialist spiritual civilization; and this will inevitably involve economic construction and the construction of socialist material and spiritual civilizations. The general principle of government up to the end of this century has already been formulated by the 12th CPC National Congress. Education and science ranks as one of the three strategic measures along with agriculture, and energy resources and communications. Now, it is necessary to further draw up concrete plans and while doing

so to consider the task in the early period of the 21st century. When engaged in this work, the aforesaid may be of referential value; we should take into consideration the problem of eliminating the difference between manual and mental labor. This is what we may get from the so-called "Fourth World Industrial Revolution."

CSO: 4006/147

GENERAL

CONCENTRATION OF FINANCIAL, MATERIAL RESOURCES DISCUSSED

Beijing JINGJI RIBAO in Chinese 8 Sep 83 p 4

[Article by Gui Shiyong [2710 0013 6978]: "It is Imperative to Concentrate Financial and Material Resources"]

[Text] Why Should We Propose the Concentration of Financial and Material Resources Now?

Over the last few years, in order to change the situation in which there was serious proportional disharmony in our economy, we have adopted a series of measures in regards to the readjustment of the distribution of the national income. The primary measures are: 1. In order to solve the problems that have existed for a long period of time in respect to the people's livelihood, we have raised by a wide margin the procurement prices for agricultural byproducts, reduced or exempted a portion of taxation in the rural areas, expanded urban labor employment, readjusted the wages of the workers and implemented the system of bonuses, thereby increasing the income of the peasants and workers and raising the proportion of the fund for consumption in the national income. In 1978, this proportion constituted 63.5 percent. In 1982, it rose to 71 percent. 2. In order to change the previous phenomenon of the state monopoly of income and expenditure and of eating out of the "same big pot" of some units under the system of ownership by all people, we have gradually expanded the decisionmaking power and flexible financial resources of the localities and enterprises, and raised the proportion of the localities and enterprises in controlling funds in the distribution of funds between the state and the enterprises and between the central authorities and the local authorities. 3. In order to balance financial income and expenditure, we have greatly reduced the appropriation for capital construction in the state's budget. All the above measures have played important roles in improving the urban and rural people's standard of living, raising the enthusiasm of the broad masses of peasants and workers, heightening the sense of responsibility and initiative of the localities, departments and enterprises in developing production and eliminating the potential risks in our economic life and stabilizing the economy.

However, we should be able to see that, in the course of implementing these measures due to a variety of reasons, funds have become too dispersed. From 1979 to 1982, our country's gross value of social output increased 33.6

percent, our national income increased 27.8 percent. Yet, the financial revenue at home not only did not increase, but decreased 3.3 percent. The proportion of financial revenue in the national income dropped consecutively. By 1982, it had dropped to 25.5 percent. While the state financial revenue was reduced, the funds outside the budget of the various localities, departments and units increased by a wide margin. In 1982, they reached 65 billion yuan, which was equivalent to 57.8 percent of the income of the state budget, and which was an increase of 27.9 billion yuan over the 37.1 billion yuan in 1978. In many cases, this type of dispersion is necessary and correct. But in some cases, it is incorrect or even excessive. At the same time, the condition of excessive dispersion still exists in the use of credit funds. The situation of excessive dispersion in the distribution and use of funds has brought about many problems in our overall economic life. Primarily, they are:

First, the funds that are needed in the state's key construction projects such as energy and transport are not guaranteed. Currently, the state's financial revenue in 1 year is a little more than 100 billion yuan. After such regular expenses in administration, scientific research, culture and education and national defense, the remaining sum of money cannot do much. In recent years, with the reduction of financial revenue, the state's investment in energy and transportation construction projects has also had to be reduced. Consequently, the newly increased production capacity in energy and transport is obviously reduced.

Second, the localities, departments and enterprises have used their own funds and bank loans to launch capital construction projects on a large scale. This has brought about a sharp inflation in the general scale of capital construction throughout the country. Because the investment in capital construction throughout the country. Because the investment in capital construction has increased too rigorously, and along with that the machinery-processing industry has grown too rapidly, the supply of energy and raw materials, which at one point in time was relaxed, again faces another crisis. The phenomenon in which heavy industry is crowding out light industry, projects outside the plans are crowding out projects within the plans, and general construction projects are crowding out the key construction projects appears.

Third, the growth of consumption funds is out of control to a certain extent, and the phenomenon in which bonuses and subsidies are randomly granted has become quite universal. If this situation is not changed without delay, it will not only affect the increase of the state financial revenue, but as it develops, it will even affect market supply and bring about price fluctuation.

Just as is the case with the excessive dispersion of capital, the situation in which material resources are dispersed is also quite serious. In 1982, among the goods and materials produced at home, only 53 percent of the steel, 57 percent of the timber and 25 percent of the cement were distributed by the central authorities in a unified manner. This situation likewise cannot meet the needs of strengthening the key construction projects.

If we allow the above-described problems to develop the way they are developing, then not only will we not be able to establish a good foundation for an economic revival in the future, but we will also have difficulty maintaining for a long period of time the fine situation of our economy at present. If we do not do our work well, we will lose the achievements we have scored in readjustment over the past several years, will again land our economic construction in a fix, and will be forced to carry out readjustment once again. Thus, concentrating financial and material resources on strengthening key construction projects under the terms of strictly controlling the general scale of capital construction is an objective need in economic development and is not determined arbitrarily by anyone. Concentrating financial and material resources is not a question of can but a question of must.

An Important Factor in Preserving in the Planned Economy Is the Suitable Concentration of Financial and Material Resources

At a deeper level of meaning, the concentration of financial and material resources to carry out key construction projects in a planned manner is not only an objective demand of the present economic development, but is an important factor in persevering in the socialist planned economy and is an important content in traversing the path of modernization that is in line with our country's situation.

The socialist economy is based on the system of public ownership. Its fundamental characteristic is the planned nature of the development of the national economy. To ensure the forward development of the national economy in a harmonious manner under unified planning and in accordance with the objective demands of the interests of the whole society and socialized production, we must have appropriate concentration. Lenin once said that the building of a socialist economy is the building of a centralized economy. This concentration is first of all a concentration involving policy and planning, which means that we must have a unified policy and unified planning in developing the economy. At the same time, to ensure the effective implementation of the unified policy and planning, we must also have the corresponding concentration of financial and material resources. The state should concentrate all the necessary financial and material resources and carry out rational distribution and utilization. This is an essential characteristic of the socialist planned economy, and is an important manifestation of its being different from and superior to the capitalist economy.

This point is of particular importance to our country. Our country is a large socialist country and is also a poor country. To carry out modernization under such circumstances, it is impossible not to implement appropriate division of authority and not give full play to the enthusiasm and initiative of the localities, departments and enterprises. However, it is impossible not to carry out appropriate concentration. This is because our national strength is limited. Every year, after deducting the portion of the newly increased national income to satisfy the needs of the newly increased population, there is little remaining from the capital to be used in improving the people's standard of living and in expanding

production and construction. If we disperse this limited capital in large amounts and allow the various units to run their own petty affairs, we will not be able to launch the modern core construction projects that are related to the overall situation. We will also not be able to basically raise the technological level of the entire economy, improve production planning, develop new departments and develop the large amount of resources that have not yet been utilized. The development of the national economy will lack its strong pillar and reserve, and the four modernizations will encounter extreme hardships and may even forfeit their future. If, however, we appropriately concentrate our financial and material resources, then, as many as a little makes a mickel, we will be able to put together a considerably handsome force, let the state do what the localities and enterprises are unable to do, and push the entire modernization ahead step by step. Thus, in our country, while the localities and enterprises must have definite financial resources, they should not have excessive financial resources. We cannot implement the federal system in which the localities have a great deal of independence. Nor can we let the enterprises run their own affairs entirely in accordance with their own interests. Rather, we must persevere in the principle of the leading role of the planned economy and the supplementary role of market regulation, and must persevere in implementing the principle of centralization with regard to the major economic activities. Only in this way can we guarantee the socialist orientation in economic construction and can we give play to the superiority of our country's natural and economic conditions. Recalling the history of our country's economic construction over some 30 years, we can clearly see that, whenever we persevere in the necessary concentration and whenever our planning was relatively practical and realistic, the economic development was relatively smooth and the results were relatively great. Whenever our financial and material resources were too dispersed and when our economic life was relatively chaotic as a result, economic construction would encounter difficulties and there would be greater losses and waste. This repetitive historical phenomenon is not a coincidence. It is a manifestation of the law of our country's construction and development. In the practice in the future, we must more consciously abide by the demands of our country's situation and persevere in the principle of appropriate concentration in a better manner.

We Must Concentrate What Must Be Concentrated, and Disperse What Must Be Dispersed

In emphasizing the concentration of financial and material resources, are we implying that we are negating the necessity of appropriate dispersion and following the old path of excessive concentration? No. The purpose of implementing concentration now is to overcome the phenomenon of excessive dispersion of capital and materials so that we can strengthen such key construction projects as energy and transport under the terms of making sure that the general scale of capital construction corresponds to our country's strength. This type of concentration is appropriate and takes into consideration the rational needs of the localities and enterprises and enables the latter to embrace definite flexible financial resources to do what they should and can do.

We should be able to see that appropriate dispersion and necessary concentration are both the intrinsic demands of the socialist economy. The socialist economy is an economy in which the people are their own masters. Its development necessarily relies on the enthusiasm, initiative and creative spirit of the localities, departments, enterprises and the entire body of laborers. Especially in such a large country as ours, having a population of 1 billion people, when the economic development is extremely unbalanced and when the socialization of production and the level of economic management are relatively low, appropriate dispersion is particularly important. In the past few years, we have adopted measures to expand the decisionmaking power and flexible financial resources of the localities and enterprises, which have played important roles in utilizing the economy. This is a powerful proof. Thus, our principle is, we should concentrate what must be concentrated and disperse what must be dispersed. Or, to put it more specifically, we must carry out concentration with regard to the major issues, major projects, major aspects or the largest aspect of a certain issue, and must, in a dispersed manner, let the various aspects handle the large amounts of minor issues, small projects and minor aspects in line with local conditions and in a flexible manner. Only in this way will our concentration embody a broad mass basis and reliable scientific basis and will it be favorable to enhancing the development of the national economy.

In order to implement the above-described correct principle of concentration, we should take into consideration the needs and realistic factors of the economic development at different periods, make overall plans, bear in mind the overall balance and look ahead and behind, and study and ascertain the quantitative limits for the appropriate concentration of financial and material resources. Through summing up historical experiences and in light of the present economic situation, the central authorities have made discrete considerations and held that, in the future, it is more appropriate to raise the proportion of the financial revenue in the national income to 28-30 percent. This way, we not only can change the present condition in which our financial resources are too dispersed, and ensure the needs of the key construction projects, but can also take into consideration the interests of the state, the collective and the individual, and avoid the previous weakness of too much concentration and inflexibility. At the same time, on the basis of the fact that the central authorities currently have too little capital in hand to satisfy the needs of the various expenditures that they are responsible for, it is necessary to increase the proportion of the financial revenue of the central authorities in the financial revenue. Corresponding to the concentration of financial resources, we must adopt necessary measures to concentrate material resources, and let the central authorities control the necessary important materials such as steel, timber and cement, in order to ensure such key construction projects as energy and transport.

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WEI YUMING ON UTILIZATION OF FOREIGN FUNDS

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[Article by Wei Yuming, PRC vice minister of Foreign Economic Relations and Trade: "More Actively and Effectively Utilize Foreign Funds"]

[Text] Utilization of foreign funds is one of the major policy decisions adopted by the Communist Party of China following the 3rd Plenary Session of the 11th CPC Central Committee in light of the development of domestic situations after summing up experiences gained at home and abroad and analyzing China's actual conditions. In the past 4 years, China has used \$12.6 billion of foreign funds. Of these, \$10.8 billion were loans and \$1.7 billion were direct investments. Foreign funds have been used to make up part of China's fund shortage, strengthen the building of weak links in the national economy, bring in some advanced and applicable technology, equipment and administrative and managerial experiences, promote the technical transformation of existing enterprises, open up resources and channels of export goods, increase foreign exchange earnings, train competent personnel and raise the employment rate. Foreign funds have played an active role in readjusting and developing the national economy. This has not only been affirmed by the Chinese people but has also drawn favorable comments from many foreigners. After visiting an exhibition on products manufactured by enterprises using foreign funds, an ambassador from a developing country said: "Seeing that you have scored achievements through developing economic and technological cooperation with foreign countries makes us realize that this is a feasible way to develop the economy in our country." An ambassador from a socialist country said: "From here we can tell that you have scored great achievements. I think in order to develop our own economy, we should make new attempts in international economic cooperation." An official from a developed country said: "As far as products of high labor consumption are concerned, there is no way that the Western countries can compete with you."

Loan Work Should Be Done Well

Although some achievements have been scored in utilizing foreign funds, our progress is not fast enough and still lags behind the needs of the socialist modernization. The 12th CPC Congress set forth a grand goal for our economic development by the end of this century. Fulfillment of this goal, to a large degree, is determined by whether or not we can promote major economic development

projects such as energy resources and communications in the next 10 years as we did in the First 5-Year Plan period and whether or not we can do a good job in technical transformation of existing enterprises, especially backbone enterprises, so as to change the backwardness in technology and management and substantially improve economic results. These depend mainly on our own financial and technical resources. However, in addition to backward economy and technology and poor techniques and management, China has 1 billion people to be fed. As a result, only a very little amount of funds can be accumulated. On the basis of giving full play to our abilities, we should more actively and effectively utilize foreign funds and accelerate socialist modernization with the help of foreign funds and technology.

To utilize foreign funds in a more active and effective manner, loan work must be done well continuously. Furthermore, I would like to express my views on the rather controversial issue of absorbing direct investments. It is necessary to adopt measures concerning two aspects: One is genuinely implementing the principles of equality and mutual benefit and adopting some policies appealing to foreigners; the other is strengthening relevant domestic work and giving full play to the economic results of foreign funds in a timely manner. Details are as follows:

1. Focal points of utilizing foreign funds. Different ways of utilizing foreign funds should be chosen in accordance with different situations and characteristics. Judging from the situation as a whole, our focal points of utilizing foreign funds now should be: trying to use more moderate- and low-interest, intermediate- and long-term loans, provided by international monetary organizations or offered by one government to another, to accelerate the construction of some major products and the infrastructure; and trying to use more direct investments to speed up the technical transformation in existing enterprises to lay a solid foundation for the fast growth of our future economic construction. Direct investments absorbed by China in the past 4 years only occupy a very small proportion. In the future, we should create conditions to absorb more direct investments and pay special attention to running well joint ventures using Chinese and foreign investment while continuously strengthening the work to seek loans provided by international monetary organizations and offered by one government to another.

Judged from a long-term point of view, productive projects should be given priority in establishing joint ventures, and whether or not more advanced and applicable technology and managerial experiences can be used should be considered a starting point. Appropriate overlapping should be allowed in the course of establishing joint ventures and introducing technology, especially in establishing those enterprises whose products are mainly sold abroad, not to domestic markets; those whose technical and managerial experiences are widely applicable and worth being publicized; those whose economic results are outstanding; and those which manufacture products that our country potentially could export were it not for our substandard quality and techniques.

2. Open a part of domestic markets to joint ventures. The broad market is our biggest advantage as well as the biggest attraction to foreign investors. However, in the past all joint ventures were automatically asked to export part or all of their products, thus dampening foreign investors' enthusiasm.

Products Should Face Up To Trials

Generally speaking, our stipulation that joint ventures should buy back part of their products is reasonable. First, enterprises need to do so to balance their foreign exchange payments; second, some of our products need to use certain marketing channels to open up markets and establish credit in international markets; third, whether foreign technology brought in with foreign investment is advanced should be tested in the competition of international markets. Of course, we should not treat all cases in the same way. We should relax some restrictions on those which are particularly needed for use. In other words, those enterprises which can bring in the technology we need, or manufacture products that our country needs to import in large numbers should be allowed to properly expand the proportion of products to be sold to domestic markets. Of course, as far as ordinary enterprises are concerned, there is a certain process for all products to enter international markets and thereby it is also reasonable to allow part of the products in the stage of trial production to be sold to domestic markets. Enterprises' foreign exchange shortage caused by expanding the proportion of products to be sold to domestic markets can be offset by localities, departments or the state through application.

Opening part of domestic markets to foreign investment is necessary. It not only can absorb more foreign investment but also can produce a positive influence in other fields. From this we can tell that opening part of domestic markets does not necessarily mean squeezing our own products out of the market. Sometimes it could mean filling in some gaps--which is conducive to invigorating domestic markets. Generally speaking, technical and managerial levels of joint ventures are higher than their domestic counterparts, and their products are also better. Such products, after entering domestic markets, would enable us to see the disparities between them and some of our original products through comparison and competition, forcing us to improve our technical and managerial levels and improve and update our products. Generally speaking, it takes years to develop a new product and commodity, but once a commodity market of good economic results is established, it often exists for a very long time. The precise reason that we open part of our domestic markets today is to create a prosperous permanent market. Judging from China's current situation, daily consumer's goods imported every year are still very large in value, quantity and variety. Would it not be better if we become smarter, use existing enterprises and production capacity in our country to establish more enterprises jointly invested and operated by Chinese and foreigners, properly ease policies in regard to the proportion of products to be sold in China and abroad, use part of foreign exchange earmarked for imports to support and solve problems of those enterprises suffering foreign exchange shortage because of enlarged proportion of products to be sold to domestic markets, increase domestic production capacity, raise domestic technical and managerial levels and increase our ability to become self-reliant?

Foreign Investment Tax Policies Should Be Eased

3. Further ease tax policies concerning the utilization of foreign funds. We have adopted some preferential treatments based on the principles of light

taxes, lenient preferential terms and simple procedures after continuously summing up experiences gained in utilizing foreign funds and reviewing various tax reduction and exemption measures adopted by various countries in order to absorb more foreign investment. These preferential treatments have now been embodied in the "Law on Chinese-Foreign Joint Ventures," the "Income Tax Law on Chinese-Foreign Joint Ventures," rules for implementing it, the "Income Tax Law on Foreign Enterprises" and rules for implementing it. Another stipulation has been made recently to extend the time limits of the tax reduction and exemption period for joint ventures. Joint ventures which have been established for over 10 years will now be exempted from taxes during the first 2 profit-making years (formerly during the first year only) and pay half of the taxes in the third, fourth and fifth years (formerly in the second and third years only). Low-profit agricultural and forestry joint ventures and joint ventures in remote areas where the economy is underdeveloped will be continuously exempted from part of income taxes in the next 10 years in addition to the first 5 years of tax reduction and exemption. According to the stipulation, all industrial and commercial consolidated taxes higher than the industrial and commercial tax rate of domestic enterprises approved by the State Council in 1973 will be lowered in accordance with the industrial and commercial tax rate; those lower than the tax rate will not be increased. Preferential treatment with regard to import tariffs and industrial and commercial taxes will be given in light of circumstances to foreigners investing in high technology concerning agriculture, animal husbandry, scientific research, energy, communications, transportation and development of major techniques. More preferential treatment will be given to projects invested in by compatriots from Taiwan, Hong Kong and Macao and overseas Chinese.

There have been different views at home and abroad on the issue of China's income tax rate. Some people think China's income tax rate, 30 percent plus 5 percent of local taxes, which is lower than that of developed countries (usually ranging from 35 to 40 percent) and equal to or a little lower than that of developing countries should be considered favorable. Some people do not agree with this. My opinions are as follows: The level of income tax rate is a factor of absorbing foreign investment, but not the only condition that can decide whether treatments are preferential. Foreign investments are aimed at gaining more profits. All factors concerned must be considered comprehensively. First of all, we should consider the suitability of the investment environment (including conditions of the infrastructure, level of wages and raw material supply and market situations) because it is essential in determining whether or not a higher profit rate can be achieved. When profits are high, foreign investors can retain more profits even if the income tax rate is higher; when profits are low, foreign investors will be unhappy because they can retain only a little profit even if the income tax rate is lower. Next, we should consider the level of income tax rates. If profit rates are the same, the level of income tax rates, of course, determines how much profit foreign investors can gain. We should not only consider the tax rate itself, but also consider whether there are tax reduction and exemption periods and how long these periods are. While comparing ourselves with foreign countries, we should consider whether foreign investment is encouraged or restricted by policies. For example, some developed countries encourage their people to invest abroad and, therefore, levy heavy income taxes on foreigners investing in their countries.

Such countries are not comparable with countries encouraging foreign investment. Profit rates of countries encouraging foreign investment will be changed when their domestic investment conditions change. Generally speaking, profit rates will be raised accordingly when the conditions are improved. Under special circumstances, profit rates will be lowered in order to absorb certain very beneficial investments or when there are many competitors. These issues must be analyzed in detail in accordance with actual conditions. Since China adopted the open door policy not long ago, its understanding of the world situation and its experiences are limited, such issues can gradually be solved only through practical work.

What needs to be done promptly at present is to solve the issue of bilateral tax credits and enable foreign investors to gain real benefits from our tax reduction and exemption preferential treatment. Efforts should be made to adopt practical measures to accelerate the signing of bilateral tax credit agreements with concerned countries.

Foreign Enterprises Should Be Allowed To Set Up

4. Allow foreign enterprises to be set up on a trial basis in areas where conditions permit. As of now, 34 foreign enterprises have been set up in four special economic zones. Practice has proved that establishing foreign enterprises in our country can increase our foreign exchange earnings, develop certain areas, promote the construction of certain urban public facilities and the development of related construction businesses, increase employment opportunities, and train competent personnel. Such enterprises can also be used as a reference while we study and draw lessons from positive capitalist experiences in order to improve our enterprise management. Therefore, decisions have been made recently to establish foreign enterprises on a trial basis in inland areas under certain conditions. These conditions will be properly relaxed after related laws are made public.

5. Expand local power to examine and approve the utilization of foreign funds and simplify the procedures for examining and approving imports of equipment and raw materials. According to stipulations of relevant documents, Guangdong and Fujian provinces have been allowed to examine and approve all projects on joint investment, joint management, compensatory trade and processing and assembly of imported materials, disregarding the amount of funds involved as long as their production, supply and marketing do not affect the overall balance of the national economy. Shanghai has been allowed to examine and approve foreign investment projects under \$10 million. Tianjin will also be allowed to do so. Other coastal provinces, municipalities and autonomous regions have been allowed to examine and approve projects under \$5 million; inland provinces and autonomous regions, under \$3 million. In fact, power to examine and approve most projects using direct foreign investment such as compensatory trade, joint investment, joint management and processing and assembly of imported materials has already been transmitted to provinces, municipalities and autonomous regions. This is conducive to arousing the initiative of all circles and quickening the pace of utilizing foreign funds.

In the past, controls over examination and approval of equipment imports using foreign funds were relatively strict and procedures were relatively complicated. Now that things have changed, equipment and raw material imports can be examined and approved at the same time the projects are examined and approved; no other procedures will be needed. This is conducive to increasing the effectiveness in utilizing foreign funds.

6. Include foreign investment projects in plans to guarantee funds for necessary support projects. In the past, foreign investment projects were not included in state plans at all levels and funds for support projects were thus not budgeted, causing a strange phenomenon that one side was short of money and the other was flooded with foreign funds. Enterprises using foreign investment also encountered many difficulties in production, supply, marketing and transportation.

According to a recent decision, utilization of foreign funds should be included in state plans at all levels--projects using intermediate- and long-term foreign loans and their support projects using domestic funds should be included in command plans and projects using direct foreign investment should be included in guiding plans. Efforts should be made to arrange well funds needed for the support projects. It is necessary to supply such funds in a continuous manner in accordance with the progress of the projects to ensure that the projects will be completed and put into operation and produce economic results as scheduled.

Investors Should Be Protected By Legislation

7. Strengthen legislative work. Imperfect legislation and violation of existing laws are among the major doubts of foreign investors about cooperating with us. Since the open door policy was adopted, China has promulgated the "Law of the PRC on Chinese Foreign Joint Ventures," "Procedures of the PRC for the Registration of Chinese-Foreign Joint Ventures," "Provisions of the PRC for Labor Management in Chinese-Foreign Joint Ventures," "Regulations of the PRC on Special Economic Zones in Guangdong Province," "Income Tax Law of the PRC Concerning Chinese-Foreign Joint Ventures," "Rules for the Implementation of the Income Tax Law of the PRC concerning Chinese-Foreign Joint Ventures," "Income Tax Law of the PRC Concerning Foreign Enterprises," and "Rules for the Implementation of the Income Tax Law of the PRC Concerning Foreign Enterprises." The "Regulations for the Implementation of the Law of the PRC on Chinese-Foreign Joint Ventures" will soon be made public. Promulgation of these laws has played an active role in the work of utilizing foreign funds. But there is much to be desired in meeting the actual needs. China has not drawn up company and contract laws concerning foreign countries; nor has it signed agreements with many countries on investment protection. Therefore, foreigners are still worried about investing in China. Laws must be observed when they are available. Cases of law violation still occur now and then.

We must concentrate our efforts to solve some problems. First, we should in the next 2 or 3 years develop some major and urgently needed laws and regulations on utilization of foreign funds, gradually complete our legal systems

by working out rules and regulations for implementation and speed up the signing of agreements with concerned countries on investment protection. Second, we should strengthen education in legal systems, establish a concept of law, abide by law and guarantee that the boards of directors of all joint ventures are allowed to exercise their own rights. Third, we should take contracts seriously, keep our word and never scrap contracts unilaterally.

In order to utilize foreign funds in a more active and effective way, we should also improve our workstyle and raise the efficiency of our work. With regard to this issue, departments concerned expressed at a national work conference on utilization of foreign funds recently convened by the State Council that they will strengthen coordination with other departments, formulate relevant work systems and strictly fulfill their duties. I believe a change for the better will gradually be achieved in this regard. After several years of efforts, a new situation is bound to appear in the utilization of foreign funds.

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